

MARKETS SUMMARY

BUSINESS Equities fall 1.5; gilts easier

LEADING EQUITIES eased as very thin trading brought an unsettled start to the new Account. The FT 30-Share Index, down 3.8 at noon, closed at 464.5, or 1.5 on the day.

GILTS shed early gains and closed with falls to 2. The FT Government Securities Index slipped 0.31 to 74.01.

STERLING gained 5 points to \$1.8190, while its trade-weighted index rose to 61.2 (63.2). Dollar's depreciation widened to 2.84 (2.77) per cent.

WALL STREET fell 4.85 to 839.57.

U.S. TREASURY Bill rates at this week's auction: three 6.057 (6.084) per cent, sixes 6.371 (6.385) per cent.

TWO FURTHER sterling bonds have been launched. Fisons is raising £10m, and the European Investment Bank is raising £25m. Page 24 and Lex.

PLATINUM price is being depressed by one of the leading producers, Rustenburg of South Africa, from \$162 to \$175 a troy ounce. Page 23

Decision to-day on ship work for Swan Hunter

BRITISH SHIPBUILDERS will decide to-day whether Swan Hunter is to get its intended share of the Polish ships order. Union officials will urge outfitting craftsmen to lift their overtime ban in order to obtain the Polish work. Back Page

GOVERNMENT proposes to amend the Fair Trading Act to ensure that the requirements of its industrial strategy are taken into account when assessing the merits of proposed mergers. Page 9. Feature and editorial comment, Page 18

BP is expected to give the Ebn. development of its Magnus field in the North Sea within the next two or three months. Page 9

VOLKSWAGEN is considering setting up a car plant in Iran in a deal similar to that signed recently by Iran and Peugeot of France. Page 8. Subaru range of Japanese cars is being introduced in the U.K. this week. Page 10. Toyota is negotiating to import parts from the U.K. and France. Page 8

UK CONSORTIUM led by Hebert Morris has won a \$25m. contract to supply equipment for a new industrial centre in Korea. Page 8

EXPERIMENT in communication between a company and the people who own it will take place in Brighton to-day, when Shell U.K. will discuss its activities at informal meetings with shareholders. Page 10

COMPANIES J. R. FENNER made record profits of £241m. (£7m.) in the year to September 3. Page 25

MONTEDISON's senior vice-chairman, Sig. Alberto Grandi, has resigned to a further shake-up in the management of the Italian chemical concern. Page 34

Egypt less isolated over peace initiative as Syria softens line

BY ANTHONY McDERMOTT

Egypt's isolation in the Arab world appeared last night to be lessening. While President Assad of Syria declared that there were disagreements but no "divorce" between the two countries, King Hussein of Jordan became the first frontline Arab state leader to praise the "great courage" of President Sadat and Egypt's peace initiative with Israel.

King Hussein, speaking to the Jordanian people on TV, said talks which are expected to take place in the context of the past 20 years the fact that an Israeli delegation was coming to Cairo should be considered as substantial progress, said one senior Egyptian diplomat.

A new atmosphere had been created, he argued, and the stage was set for other nations to join in the peace moves, if and when they desired.

The abruptness of President Sadat's initiative, coming so swiftly after his visit to Israel, and similarly without consultations, suggests that he expected the majority of invitations to be refused. This view is supported by the President's ever more emphatic statements on his willingness to go without any other Arab nations to a reconvened Geneva peace conference.

But there is also an increasing restlessness among those Egyptian officials who were wary of Mr. Sadat's initiative. They point to the still starting absence of a single Arab concession that could be held up as a sign that a just and lasting peace can be achieved by these tactics.

They fear that Mr. Begin's Cabinet feels strengthened in its Jordan and U.S. react. Page 7

King Hussein's statement must increase Syria's concern at possibly being isolated. But the king, too, was being cautious, for he said he was willing to attend the Cairo conference if all Arab parties concerned with the Middle East conflict attended, just as he would attend the Tripoli summit, if all Arab states were present.

President Assad, addressing a Damascus Press conference, went out of his way to keep his opinions open. He continued his criticism of President Sadat's initiative, saying that his visit to Israel "has created more obstacles in the way of the Geneva peace conference," but he refused to rule out the possibility of that conference being held.

He also indicated Syria's willingness to reconcile with Iraq, but it was maintained that Damascus had no progress had been made so far in this respect, and that the meeting, therefore, the lower level repeat Khaddam, the Syrian deputy

of the Jerusalem talks between Roger Matthews adds from Cairo: Egyptian officials remain undismayed that only Israel had accepted President Sadat's invitation to a Cairo conference next week.

It was emphasised that as the formal invitations only went out on Sunday night it was still too early to conclude that there would be only one acceptance, and that the meeting, therefore, the lower level repeat Khaddam, the Syrian deputy

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Big banks differ on base rate rises

BY MICHAEL BLANDIN

THE BIG BANKS yesterday took different views on interest rates following the sharp 2 per cent jump in the Bank of England's minimum lending rate on Friday to 7 per cent.

National Westminster responded first, raising its base rate for lending by 1 1/2 per cent to 7 1/2 per cent. Lloyds then took a competitive edge by announcing an increase of only 1 per cent, to 7 per cent.

Barclays and Midland are keeping their options open until the market trends become clearer, holding their base rate at 6 per cent. As a result, borrowers are temporarily in the exceptional situation of having three loan rates to choose from.

The changes mean that the top-quality corporate customers of Lloyds will pay 6 per cent for their overdrafts, while at NatWest they will be charged 8 1/2 per cent. Other borrowers will pay up to about 12 per cent at Lloyds and 1 per cent more at NatWest.

The two banks also differed over the rate they pay to their branch depositors, though both took the opportunity to widen their margin of profit ability. NatWest increased its three-day deposit rate by 1 per cent to 4 per cent, while Lloyds went up only 1/2 per cent, to 3 1/2 per cent.

The differences reflect the continuing uncertainty in the money markets after last week's sudden adjustment in rates. At Lloyds Mr. John Montgomery, the chief general manager, said that the bank's 1 per cent increase in lending rates was in line with current market rates.

He added: "Should there be a further rise in the general level of rates we may well have to increase our base rate further."

Mr. Alex Dibbs, the group chief executive of NatWest, said the bank was restricting its increase to 1 1/2 per cent, compared with the 2 per cent M.L.R. rise, and commented that at 7 1/2 per cent the base rate remained low by the standards of recent years.

"We hope that further increases will not be necessary and that a period of stability will assist in encouraging sound investment demand."

in New York

Nov 29 1977

Nov 29 1977

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U.K.-Arab bid for £440m. road work

BY JOHN EVANS

THE BRITISH Steel Corporation and Tarmac have formed a consortium with the Trid multinational conglomerate headed by Mr. Adnan Khashoggi, the prominent Saudi Arabian businessman, to tender for the construction of an 8800m. (£440m.) causeway between Saudi Arabia and Bahrain.

The formation of what is to be called the Saudi Arabia-Bahrain Causeway Consortium was disclosed by Mr. Khashoggi, whose Trid group is closely involved in the development of the Saudi economy, and confirmed yesterday by British Steel.

The project—one of the largest in the Middle East—is to be financed completely by Saudi Arabia. According to Mr. Khashoggi, the consortium's plan embraces a bid of more than \$1bn. (1050m.) in all for building not only the 16-mile causeway but also a new town for 5,000 people in Bahrain.

The causeway project is the largest single contract sought by British Steel in the Middle East and one of the largest non-military contracts for British interests in the area. Tenders are to be called next year.

The related proposal for constructing a permanent town is aimed at accommodating the large workforce needed for the project and supplementing Bahrain's housing facilities.

The corporation's Redpath Dorman Long division and Tarmac Overseas will head the British side of the consortium. Other British construction groups are expected to join.

Triad is heading the Arab side, which includes Al-Nasr, a Saudi company. One of Saudi Arabia's biggest banks will be involved and negotiations are understood to be taking place in London to allow the passage of ships, started being drawn up in July.

The Saudi Government has appointed a group of consultants headed by Kansun, of Denmark.

What Saudi Arabia will bear all the cost of financing the project is a feature of the contract which will make for keen international competition. This is an attractive element for British companies, some of whom in the past have been squeezed out of the biggest Middle East projects because of financing problems or lack of supporting advance payment facilities.

The Export Credits Guarantee Department is likely to be brought in over the question of these guarantees. A financial package may be needed for the new town project, and the department could be involved there.

What some British participants in the consortium are especially eager to see is firm political backing from Whitehall.

"While there are no problems on the financing front, we hope for firm Government support and influence at the political level in the Arab capitals involved to help us with the contract," British Steel said.

Detailed designs for the four-lane causeway, which will incorporate a number of bridges to allow the passage of ships, started being drawn up in July.

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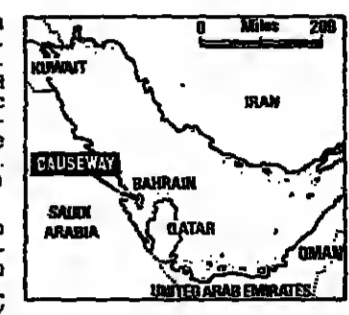


Table with 2 columns: Item and Price Change. Includes items like Siebens (U.K.), Anglo Amer. Corp., Cons. Gold Fields, etc.

Wall Street investment bankers agree to merge

BY JOHN WYLES

THE MERGER FEVER which has gripped the American securities industry for much of this year has brought together two of Wall Street's oldest companies, Kuhn Loeb and Lehman Bros.

After several weeks of discussions the two companies reached agreement at the week-end on a merger which they hope to complete by December 15.

Both are major investment bankers and the new combination will have a capital approach of \$78m. with ownership vested in a holding company and operations carried out under the name Lehman Brothers Kuhn Loeb Inc.

The merger pace on Wall Street has been virtually unprecedented this year as hitherto proud independent companies have sought companionship in defence against declining commission income and sharpening competition. Great impetus has been given by the Securities and Exchange Commission, whose proposal to abolish restrictions on trading off the floor of the New York Stock Exchange from January has raised the spectre of dealers making markets in listed securities with the most profitable business going to those with the strongest capital bases.

Just a handful of the companies which have joined forces this year are Dean Witter and Reynolds Securities; Hache and Co. with Halsey Stuart; and Shields Muddel Roland, Drexel Burnham with William D. Witter, and Paine Webber with Mitchell Hutchins. Some 25 companies now account for 65 per cent of the securities industry's business.

Kuhn Loeb's name has been linked with a number of possible partners this year, including Shearson Hayden Stone and Paine Webber.

Mr. John Schiff, 73, its chairman, belongs to a family dynasty which has controlled the company for five generations. He is the grandson of Jacob Schiff, who arrived in the U.S. from Germany in 1873, and was the son-in-law of Solomon Loeb, one of the co-founders of the company in 1897. Mr. Schiff's son, Mr. Robert Schiff, is the New York Post until its sale last January to Mr. Rupert Murdoch, while Mr. Schiff himself is a well-known racehorse owner.

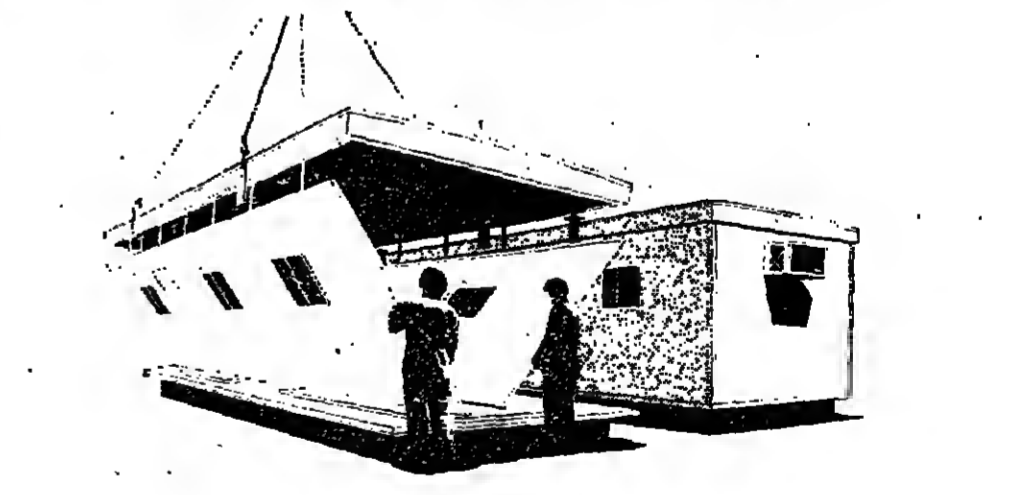
The family's stake is often said to be about 50% or just over a third of the company's capital. Mr. Schiff will be honorary chairman of the new company, while his son, David, 30, at present vice-chairman of Kuhn Loeb, will be on the Board of the combined firm.

Mr. Peter G. Peterson, Lehman Bros. chairman and president, will carry the same title in the new company.

The link with Kuhn Loeb will strengthen Lehman's overseas investment banking business while giving Kuhn Loeb, which has just five U.S. offices and 75 sales staff, a much stronger foothold in securities brokerage, bond trading and asset management.

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Job creation fallacies

BY SAMUEL BRITTAN

NINETY-NINE people out of a hundred would probably say that the Government should spend money on job creation. If any of them privately preferred tax reductions instead they would quite likely feel ashamed to owning up to such lack of virtue. Yet this attitude says more for people's moral fervour or guilt feelings than their logical acumen. For the whole idea of spending money on job creation is an absurdity unless very heavily circumscribed and qualified.

Danger

"But isn't there a danger?" the shilly-shally will ask, "that taxpayers will actually save some of their tax remissions?" If this really is a danger, the tax cuts could be that much larger - which would be justified on almost any economic theory. The Budget deficit would be larger, but also easier to finance. Or a tax cut could be combined with an anti-savings campaign. The latter is to any case the logic of the argument that more spending will create more jobs. As for those who think the balance of payments a problem, surely a building worker will spend just as much on imports as if he is employed in public works as he is constructing a shed in one's own back garden?

Of course the real reason why the Government hesitates to increase spending - either its own or other people's - is the fear that too would cause inflation to rise again. If an increased Budget deficit is financed without increasing the supply of money, the danger will be less; but in that event the spending stimulus will be largely cancelled out (either by a rise in interest rates or by an overseas capital inflow leading to a reduction in the exchange rate, or a reduction in the current payments surplus).

The real problem is how to increase the level of activity which can be tolerated without re-introducing inflation. In other words it is the familiar one of reducing the sustainable or "natural" level of unemployment. But can we rescue any...

Hidden battles that boosted Beaune prices

The high prices paid at the Hospices de Beaune auction, held over 100 years normally held on the third Sunday in November, are often misunderstood. After a few extravagant figures are publicised in the world's press, appalled fine-wine drinkers everywhere decide, temporarily at least, that after all Bordeaux is the better buy; and so it would be if the prices paid in the physically and psychologically over-heated Beaune market-hall were typical.

In fact, however, this year's Van des Vins sale, a special occasion. The popular fiction is that the charity aspect accounts for many of the high prices. Indeed the Hospices counts on this annual supplement to its state-supplied finances to make many improvements; and will now be well-satisfied with the 6.84 million francs (c. £750,000) that it has netted this year. Yet it is more accurate to attribute the price paid for wine often still fermenting and whose quality even experts cannot properly assess, to the publicity which the sale engenders, particularly within France and in some neighbouring countries.

For this reason the firm of Patriarche for years made sure of securing the first TV licence in the sale. Last year, however, M. Henri Maire, the Arbois proprietor of many rolling Jura vineyards, who wishes to add at Wincanton, Legal Branch went on to Kempton where he did far better, leading a useful field of novices until the third from home in a division of the Vauxhall Novices Hurdle won by Live Sparc.

Two outings will have brought Legal Branch on considerably and, with less to do, he is probably worth another chance. I take him to outpace the ultra-consistent though rather one-paced Roundtop, who followed up a narrow victory over Ballon by heating all except the runaway winner, Lucky Donation, at Southwell earlier this month.

Toureeo, who beat Queen's College by a neck over the minor obstacles at Newbury last term, showed that he has a future over fences when finishing a respectable third behind Joe Kelly and St. Cadwalader in a division of Chestport's Festive Novices Chase this month.

—a 12 per cent increase on last year. Perhaps the most significant aspect this year was the large number of foreign purchasers and their interest in white Burgundy, notably fewer bids from the leading merchants of the region, there were many more from the Belgians, Swiss, American and Germans. Even the Cane and Liquor Board bought perhaps in return for the exceptional welcome given only a few weeks ago in Paris to their Prime Minister.

Since only four buyers' names may be attributed to each lot immediately after it has been knocked down, it is impossible to be precise, but no fewer than 20 part-lots were ascribed to Belgians, 17 to Swiss and nine to Dutch. The U.S. and U.K., notably absent from the bidding in recent years, were rather more prominent, with 10 and six buyers nominated respectively. In all, foreign buyers had a share in 40 of the 73 lots of wine. Before the sale, leading merchants to whom I spoke expected

prices to be higher than last year, but were not too pleased when their prophecies were borne out. For with a vintage clearly superior to its predecessor, they hoped for a stabilised market. Unfortunately, owing to the shortage of stocks after a series of indifferent vintages prior to 1976, along with a resumption of the vintage and for comparing the increased crop for the vintage appellation: 55 hl per ha for the state of the market and the degree of acceptance of the new vintage.

I was not surprised, therefore, in a leading Beaune merchant's office the morning after the auction when a broker rang up from Chablis to say that prices above average in fruit, were 10 per cent up from that moment. It was, however, a crop cut by about a third compared with 1976, owing to early spring frosts that alone in Burgundy hit Chablis.

WINE

BY EDMUND PENNING ROWSELL

Legal Branch should start promising day for Gifford

JOSH GIFFORD, who in the short time that he has been a professional trainer, has picked up more than £200,000 in prize money, raids Plumpton and Huntingdon to-day.

The former National Hunt champion jockey—and this season's leading trainer in number of winners—sends Legal Branch and Toureeo to Huntingdon—while relying on Royal Exchange and Mannyboy at Plumpton.

Each horse can be given a reasonable chance and it could well be yet another highly profitable afternoon for the Sussex trainer who seems certain to eclipse his previous best total of 57 winners in a season.

Meissen vultures make £75,000 record at auction

A world auction record price modelled by J. J. Kandler, was paid for Meissen porcelain fetched £6,000 to the Antique at Christie's yesterday when a porcelain company and a dealer of Meissen porcelain, modelled around 1731 by J. G. Kandler, also modelled by Kandler and J. J. Kandler, sold for £75,000 to a private U.S. Williams collector. The birds, which are fire-cracked, were made for Frederick the Great's Japanese collection of books of the 19th century history of vultures.

The sale of continental porcelain, modelled around 1731 by J. G. Kandler, also modelled by Kandler and J. J. Kandler, sold for £75,000 to a private U.S. Williams collector. The birds, which are fire-cracked, were made for Frederick the Great's Japanese collection of books of the 19th century history of vultures.

record for Meissen was the £60,000 paid at Christie's last October for a pair of bantam cocks, also modelled by Kandler. The sale of continental porcelain, modelled around 1731 by J. G. Kandler, also modelled by Kandler and J. J. Kandler, sold for £75,000 to a private U.S. Williams collector.

Meissen vultures make £75,000 record at auction



Meissen vulture Pair sold for £75,000

RACING

BY DOMINIC WIGAN

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Sport-for-young plan

The major political parties, the TUC schools sports start, and local councils will all be asked to promote sport. And the council is to start an "action loc" to enable youngsters to receive prompt advice by telephone.

BBC 1 radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

LONDON radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

GRANADA radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

SCOTTISH radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

F.T. CROSSWORD PUZZLE No. 3,531 grid with clues for Across and Down.

BBC 2 radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

ATV radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

BORDER radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

CHANNEL radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

GRAMPIAN radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

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TYNE TEES radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

ULSTER radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

WESTWARD radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

YORKSHIRE radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

BBC Radio London radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

London Broadcasting radio schedule listing programs like 'Schools', 'Pebble Mill', 'How Do You Do!', etc.

ACROSS and DOWN crossword clues and solutions.

Radio 1, 2, 3, 4, and 5 schedules for various regions.

Radio 1, 2, 3, 4, and 5 schedules for various regions.

Radio 1, 2, 3, 4, and 5 schedules for various regions.

Large advertisement for Bouchard Aîné wine, featuring the text 'What's in a name?' and 'A name that's recognised can inspire awe, envy or, in this case, confidence.'

حكايا من الحفل



Ian Taylor, Judy Wilson, Rosalind, Soxall, C. J. Allen and Vicky Ogden

Double bill by B. A. YOUNG

Mr. Frisby has directed the play himself without much success in evoking the necessary...

Light on the Dark Ages by DENYS SUTTON, Editor of Apollo

The taste of each generation generally corresponds to some of its chief preoccupations. The Victorians were strong believers in progress and found their ideal in the Renaissance...

A Good Night's Sleep by CLEMENT CRISP

In the matter of glib dancers know better than anyone else that brevity is the soul of festivity, and that short and jolly is the ideal. Alas, most gatas are not organised by dancer...

Curzon by DOMINIC GILL

People will doubt that Curzon is the greatest English pianist. The Hall was nearly full for the last night—the second...

More remarkable was Anton Dolin's reconstruction of a suite from 'Le Petit Blue'...

his really be the alterna- hestself on the sofa and join in what turns out to be a fairly d nice little country...

Kubelik's Brahms

Rafael Kubelik revived an old debate by devoting his London concert this weekend to the music of its opponents—Wagner...

Confession Fever

At 76, Edmund Rubbra continues to cast a musical radiance which may not dazzle, but glows steadily. Sunday's broadcast...

The exhibition which is arranged thematically and chronologically, is divided into five 'realms'—Imperial, Classical, Secular, Jewish and Christian. This stimulating method of presentation is not without dangers...

Record revenues and earnings marked both the third quarter and nine-month period, reflecting substantial strength in the major facets of our business. Property and casualty insurance, title insurance, and container leasing

Reliance Group, Incorporated and Subsidiaries Financial Highlights

Table with columns for Quarter Ended September 30 and Nine Months Ended September 30, showing Revenues, Operating Income after taxes, Net Realized Gain on Insurance Investments after taxes, Income after taxes before extraordinary income, Extraordinary Income, and Net Income after taxes.

Per-Share Information: Operating income after taxes \$1.65, Net realized gain on insurance investments after taxes .12, Income after taxes before extraordinary income 1.77, Extraordinary income 1.00, Net income after taxes \$2.77.

(1) Extraordinary income resulted from the utilization of tax loss carryovers. (2) Per-share computations are after deduction of dividend requirements on the Series C Preferred Stock.

ANNOUNCING THE END OF THE INNER PARTY



Small bottle of Distinction Port wine for 10 years in the wood.

Radio 3

At 76, Edmund Rubbra continues to cast a musical radiance which may not dazzle, but glows steadily.

Rubbra's Fourth Quartet

If you become gripped (as I was) by Rubbra's harmonic idiom in which every third or other comfortable sound has to be won by struggle from the other notes...

Without meaning to suggest that the best thing about Rubbra's compositions is their conclusion, I could not help being struck with a similar inevitability in the final bars of the new quartet.

APPOINTMENTS

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An International Investment Company offers an exciting opportunity to a mature, experienced trust officer to establish a Trust Department within the Company.

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LEGAL NOTICES No. 002654 of 1977 In the HIGH COURT OF JUSTICE Chancery Division Companies Court

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NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice was presented to the said Court by CRUMER S.S.L. on the 15th day of November 1977

CONTRACTS AND TENDERS

ETHIOPIA

INVITATION FOR PREQUALIFICATION

The Provisional Military Government of Socialist Ethiopia has obtained Credit from African Development Fund for financing of the construction of a Feeder road between Jimma and Chida and it is intended to use the proceeds of this Credit to payments under contract for which this invitation to pre-qualify is issued.

The Project Jimma-Chida is 83 km long and starts at Jimma 335 km south-west of Addis Ababa.

- 1. Unclassified Excavation about 1,530,000 M³
2. Borrow Excavation " 35,000 M³
3. Special subbase material " 138,000 M³
4. Grouted Rubble Paved Waterways ... 67,000 M²
5. Drainage works (major items) 3900 LMRC pipes 1000 M³ concrete 100 tons steel
6. Reinforced concrete Bridges with abutments, 5 in number 800 M³ concrete 90 tons steel

Prequalification questionnaire forms may be obtained from Contract Construction Division, Ethiopian Road Authority, P.O. Box 1770, Addis Ababa, Ethiopia. Telex No. 21180. Cable Address: HIGHWAYS Addis Ababa.

Contractors are expected to fill in the pre-qualification questionnaire form and submit it to the Ethiopian Road Authority prior to December 20, 1977.

Construction is expected to commence by Mid 1978. ETHIOPIAN ROAD AUTHORITY

COMPANY NOTICES

COMPANHIA DE DIAMANTES DE ANGOLA whose shares have been the subject of nationalisation, are called to a Meeting to be held at 2 p.m. on 15th December 1977 at the Assembleia Commercial de Lisboa

TRANSVAAL CONSOLIDATED LAND AND EXPLORATION COMPANY LIMITED (Incorporated in the Republic of South Africa) DECLARATION OF DIVIDEND No. 76

THE IMPERIAL GOLD STORAGE AND SUPPLY COMPANY LIMITED (Incorporated in the Republic of South Africa)

INTERIM DIVIDEND No. 77 ON RESPONDENT'S SHARE

Further to the notice of the interim dividend declared on the respondent shares of this company advertised in the Press on 27th October, 1977, the conversion rate applicable to the respondent's U.K. currency in respect of that dividend is £1 R1,590.35 equivalent to 3.4581% per share.

The effective rate of South African Non-Resident Shareholders' tax is 15.75%.

For shareholders who attended the Meeting held 27th June, 1977, no document is required.

Any shareholder can make himself concerned in the Meeting by another shareholder by means of a simple letter addressed to the Secretary of the company

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EUROPEAN NEWS

TITO'S ANNIVERSARY AMNESTY

The amber light for democracy

BY PAUL LENDVAI, RECENTLY IN BELGRADE

THE AMNESTY just announced in honour of Yugoslavia's national day (November 29) is a long-overdue gesture towards public opinion at home and abroad.

The significance of the amnesty goes beyond the freeing of the 218 people convicted of political crimes and of the 356 who had been awaiting trial for political offences.

Only one day before the proclamation of the amnesty, a brief communique announced the arrest of Mr. Mieta Perovic, one of the leaders of the Stalinist Yugoslav exiles abroad who after the Tito-Stalin break in 1948 fled to the Soviet Union.

The secret war between the UDBA, the Yugoslav secret police and the KGB, its Soviet opposite number goes unabated.

Freedom of movement is reflected in the figures for tourism. Thus last year 37 million foreigners entered the country while 16.5 million Yugoslavs travelled abroad.

technicians found 19 hidden microphones in the Yugoslav embassy. His first period of service coincided with the stormy years of 1956-58 and Mr. Micunovic reveals how the Russians combined public praise for Marshal Tito with secret warnings and subversion against Yugoslavia.

The newly reconstituted dissen committee which monitors Soviet observance of the Helsinki accords yesterday demonstrated its determination to continue working despite emigration and arrests.

a Yugoslav ministerial delegation waiting for over a month only to cancel the credit in the end as a punishment for Yugoslavia's indepedent line.

socialists associated with the bimonthly "Praxis" which, since it was founded in 1964, has been publishing in a first printing of 10,000 copies is evidence for the growing gap between Yugoslavia and the other Communist countries.

Freedom of movement is reflected in the figures for tourism. Thus last year 37 million foreigners entered the country while 16.5 million Yugoslavs travelled abroad.

rebel of Yugoslav Communism. This blot on the Yugoslav record in human rights is probably due to the petty vengeance of bureaucrats.

human rights violation, writes David Satter in Moscow. The Helsinki Group, which has seven active members, said in a statement that the West should consider general human rights violations and every particular substantive violation including the repression of 14 people connected with the Helsinki group itself.

threat to the very basis of the old-style party dictatorship. This glaring and increasingly dangerous contradiction between social realities and the political position of the ruling League of Communists with 1.8m members has now become the main subject of an open political debate.

The treatment of critics reflects in a sense the mid-way position between the orthodox one-party dictatorships of the Communist east and the multi-party systems of the Democratic west.

Before his arrival Yugoslav Mr. Milovan Djilas, the great despite hundreds of thousands of

unemployed and an inflation rate of 10 per cent, the presence of 800,000 Yugoslav workers abroad and the investments made in the catering and services sector at home by those who had returned because of the recession—all this has changed the system beyond recognition.

Yesterday's statement, which was issued at a news conference at the home of Mr. Nahum Neiman, a scientist and member of the Helsinki group, was clearly intended to demonstrate that the group will continue to attack its opponent Soviet violations of the humanitarian provisions of the Helsinki accords.

democratisation has been summed up in a closely formulated agenda for the forthcoming party congress and the projected reorganisation of party and state hierarchy in the federal centre and in the republics.

Everything is open and everybody is waiting for the word of the 85-year-old Marshal who has been seen to have taken a more liberal line than his colleagues.

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Vertical text on the right edge of the page, including 'Cabinet' and other partial words.

كذا من التخصص

EUROPEAN NEWS

EC agrees \$1bn. aid for poor countries

BRUSSELS, Nov. 28. FINANCIAL backing for a \$1.5-billion aid programme for the world's poorest countries was approved...

France faces worst week of strikes since spring

PARIS, Nov. 28. THE MOST widespread industrial disputes since before the summer will occur in France this week...

Swedish economic decline forecast

STOCKHOLM, Nov. 28. THE SWEDISH Federation of Industries believes the Swedish economy will continue to decline...

Latest IFO survey underlines problems of employment

BONN, Nov. 28. THE STRUCTURAL problems backing of orders—to add to the employment are underlined by the results released to-day of the latest survey of business opinion...

W. German opposition split over leadership

BONN, Nov. 28. THE WEST German opposition is giving a public display of disunity from which the Government coalition under Chancellor Helmut Schmidt can only profit.

Brussels nuclear talks

BRUSSELS, Nov. 28. THE EUROPEAN Commission will step gingerly into the nuclear energy controversy tomorrow when it inaugurates three days of 'open discussions'...

Banker resigns

BRUSSELS, Nov. 28. Giuseppe Arcaini has resigned his post as president of the International Banking Association...

Greek Cabinet sworn in

ATHENS, Nov. 28. THE NEW Cabinet includes a Deputy Premier, 20 Ministers and 21 Deputy Ministers...

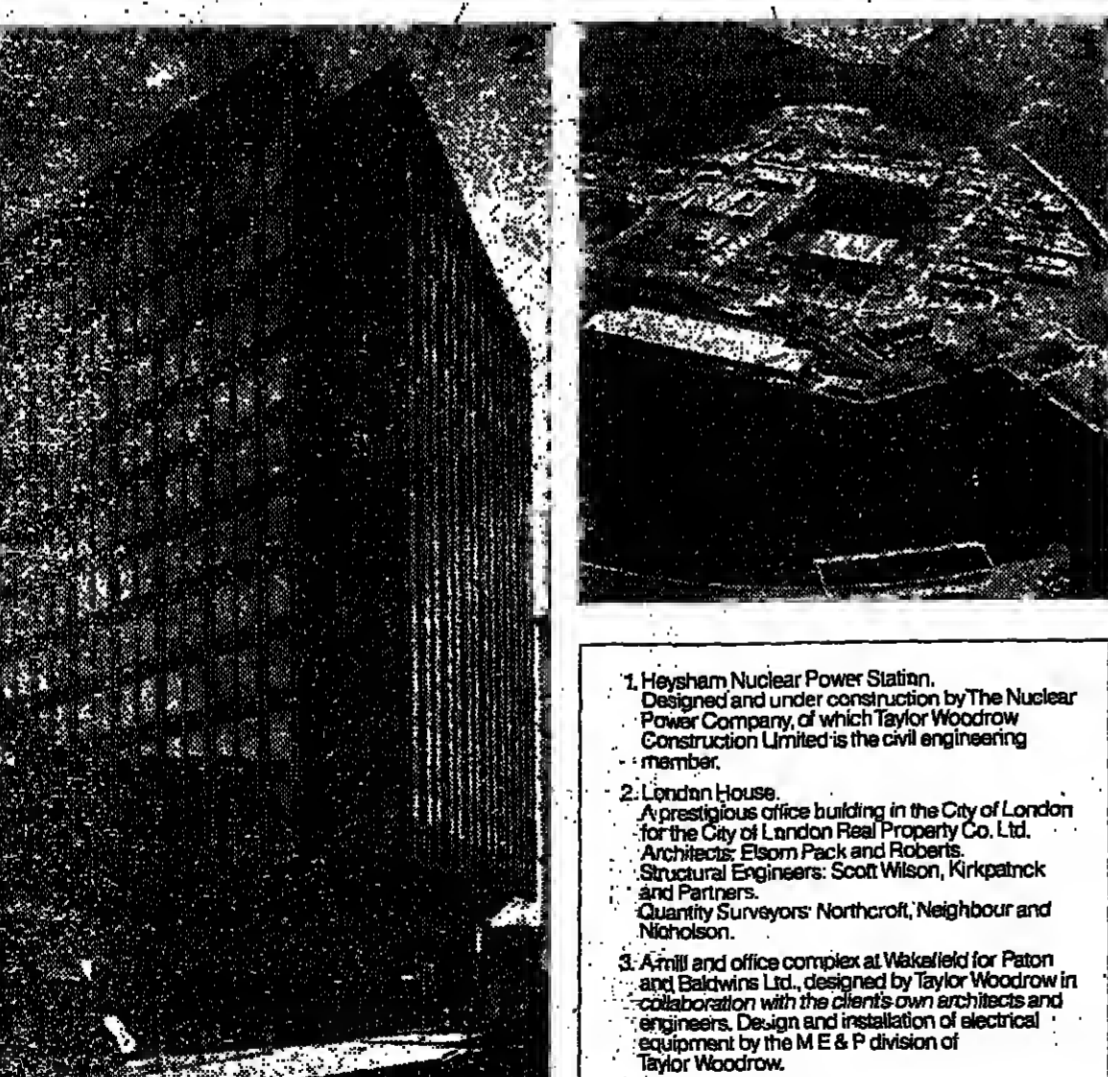
Dutch coalition pact revised

THE HAGUE, Nov. 28. LEADERS OF Holland's Christian Democrats and Liberals have announced agreement on a revised coalition pact...

Soares showdown likely

LISBON, Nov. 28. HAVING FAILED to gain consensus from his rivals on the common policy, Prime Minister Mario Soares now seems headed irrevocably for a showdown in Parliament.

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AMERICAN NEWS

Congress confronts energy impasse

BY DAVID BELL

WASHINGTON, Nov. 28.

AFTER A week's respite, the U.S. Congress to-day resumed its attempt to break the impasse over the proposed Energy Bill. One Congressman threatened to hold all-night sessions until progress could be made on the vexed question of natural gas pricing.

Meanwhile liberal Congressmen and Senators continue to complain loudly about comments made at a Press conference last week by Dr. James Schlesinger, the Energy Secretary. Much to the irritation of the rest of the administration, he outlined possible compromises that the President might accept. Sen. Howard

Metzenbaum, a leading supporter of the administration, said such talk at this stage was "extremely disturbing."

The Senate and the House of Representatives are trying to fashion a compromise energy bill using two conference committees made up of Congressmen and Senators. One is considering the taxation provisions in the bill, the other the non-tax issues.

The non-tax committee was to-day taken up with more wrangling about the price of natural gas. Senator Henry Jackson, chairman of the Senate Energy Committee bluntly warned the gas industry that if it persisted with its demand for the de-regulation of new natural gas prices at all, the provisions

Bank chief optimistic on Canadian economy

By Victor Mackie

OTTAWA, Nov. 28.

GERALD BOUEY, the Governor of the Bank of Canada, said to-day that the Canadian economy has now made many of the adjustments necessary to allow it to perform better and complete more effectively with the rest of the world.

"Thus while the bad news is that our economy has been going through a difficult period, the good news is that we may already have completed a large part of what was bound to be a difficult journey," he said. He spoke to the Canadian Club of Toronto.

He said Canadians can deal successfully with the unemployment problem if at the same time they manage to deal successfully with the inflation problem through becoming more competitive in world markets.

WALL STREET'S RISK ARBITRAGEURS

Masters of the million dollar guessing game

BY STEWART FLEMING

PERCHED BEHIND a pulpit-like desk, 23 stories up, just a stone's throw from Wall Street, Ivan Boesky sits all day watching share prices on a television set and surrounded by 130 direct telephone lines to brokerage houses and two news-wire services.

Intermittently, some new development in the 40 or 50 take-overs has following brings a reaction. "You understand we don't want to lose any more in Babst," he barks down the telephone to one of his assistants before dividing his attention once again between the intercoms and the Financial Times viewer from the television set from which his eyes rarely wander.

He doesn't break for lunch. If all this seems a rather tedious way to spend your working life even he might find it hard to disagree. But Mr. Boesky is an arbitrageur and this year the work has had its compensations. Press reports, which will neither dispute nor confirm, suggest that on one deal alone, the Babcock Wilcox takeover battle—Mr. Boesky may have cleared a 37m. profit in a few weeks.

Mr. Boesky is one of a select, but now expanding group of risk arbitrageurs on Wall Street. He runs his own firm with a staff of 27. His competitors include some of the best known, most aggressive and successful investment banks and brokerage houses in New York. Those reports which attributed to Mr. Boesky a 37m. profit on the Babcock deal also credit Salomon Brothers and Goldman Sachs similar spectacular returns. Overall it has been estimated that arbitrageurs made a \$30m. profit on that \$500m. takeover.

Wall Street speculation has suggested that this month the arbitrage community may have collected a profit of as much as \$20m.

How is it done? One is tempted to say "buy and hold" from the outside but it is not so simple. But arbitrageurs say that it takes strong nerves, intuition and an analytical mind to make arbitrage profits in good times as well as bad.

As Robert E. Rubin, the 39-year-old arbitrage specialist at Goldman Sachs points out: "It is a very special time now for the arbitrage business. Big profits like those being recorded now have not been seen since the takeover wave of the late 1960s. If the big profits now being made are not always there in the long run, the risks are just as big, and mitigate losses."

Mr. Rubin suggests that the good fortune of firms like Goldman has to have been in the hedge fund operations, or in arbitrage business for years and to reduce risks, and there will be then now.

There is risk arbitrage, where the risk arbitrageurs buy shares in a company which is being taken over, but before the takeover. They are betting that the share price will rise after the takeover. If the takeover is successful, they will have a profit. If the takeover fails, they will have a loss.

On the other hand, through trading stock options or other hedge fund operations, it is possible to reduce risks and there will be then now.

There is risk arbitrage, where the risk arbitrageurs buy shares in a company which is being taken over, but before the takeover. They are betting that the share price will rise after the takeover. If the takeover is successful, they will have a profit. If the takeover fails, they will have a loss.

Argentina may stand firm over islands

By Hugh O'Shaughnessy

THE ARGENTINE Government will refuse to be bound by the arbitration award announced by the Queen on May 2 in the dispute between Argentina and Chile over possession of three islands near Cape Horn, according to insistent reports from Buenos Aires. An Argentine rejection of the award would substantially increase tension between the two countries. The area has already been the scene of military and naval manoeuvres.

The award, which was based on the unanimous opinion of a panel of distinguished international lawyers, gave the islands, Lennox, Nueva and Picton, lying in the Beagle Channel off Tierra del Fuego, to Chile.

Argentina's Central Bank has extended to two years the minimum term for starting repayment of foreign loans from one year. Reuter reports from Buenos Aires.

Last-minute attempt to avert coal miners' strike

BY JOHN WYLES

NEW YORK, Nov. 28.

THE UNITED STATES Government's Mediation and Conciliation Service has called the two sides of the coal industry together for a meeting to-morrow in what seems likely to be a forlorn attempt to head off a national miners' strike.

The Federal agency has been closely monitoring the abortive negotiations on a new master contract for 130,000 members of the United Mineworkers' Union (UMW). It moved quickly to arrange to-morrow's session after Mr. Arnold Miller, the UMW president, walked out of talks with the Bituminous Coal Operators Association on Friday proclaiming that a strike from December 8 was inevitable.

On the surface there seems little reason to believe that Mr. William Hobgood, the Director of the Office of Mediation Services, will be able to point the two sides in the direction of a negotiating breakthrough. It is more likely that he will be wail-

Economists project 4.2% GNP growth

By Our Own Correspondent

NEW YORK, Nov. 28.

A COMPARATIVELY healthy 4.2 per cent. increase in the United States real gross national product in 1978 is being projected by the Conference Board, a leading American business research organisation.

This forecast, from the board's Economic Forum, a gathering of prominent economists, strengthens the optimism which has been growing in recent weeks about the prospects for next year. Although the Carter Administration showed signs in October of backing away from its view of a 5 per cent. growth rate next year, the underlying strength of the economic indices for November is thought to be reflecting its confidence.

The Conference Board's experts expect 1977 to finish with an overall 4.5 per cent. growth. They forecast that this will fall slightly to 4.2 per cent. next year with industrial production gaining 3.5 per cent. compared in 5.9 per cent. in 1977.

DKB'S ECONOMIC JOURNAL

November 1977: Vol. 6 No. 11

Full recovery of corporate demand for funds in Japan is due to take some time

The Japanese economy has passed two years and a half since domestic business hit the bottom in the January-March quarter of 1975. Business on a macro-economic basis since has continued a modest growth at a slow tempo in the interim, principally on the strength of fiscal outlay and export trade.

In this situation, corporate business activity has remained sluggish under the impact of deterrents, such as the wide supply-demand gap, delayed inventory adjustment and stagnation of the commodity market.

Against this background, the increase of loans by all Japanese banks over the year-to-year level in fiscal 1976 (April, 1975-March 1977) declined sharply to 30 per cent from the comparable gain of 21.9 per cent in fiscal 1975. In the first (April-June) quarter of fiscal 1977, such loans registered a sizable decrease of 22.0 per cent from the corresponding period a year earlier.

Bank loans particularly have been stagnant to leading enterprises. The increase of bank loans to major corporations capitalized at over ¥1,000 million began to decline from the gain a year ago in the January-March quarter of 1976, and the total amount of such loans in fiscal 1976 showed a decrease of 8.8 per cent from the previous fiscal year.

Generally, considered to determine the trend of bank loans are such factors as the size of corporate fund demand and borrowing policy on the side of business and industry, and the fund position and lending policy on the part of banks under changing monetary conditions.

In view of the latest monetary policy keynote of the Government, the recent stagnation of bank lending to business and industry is considered ascribable mainly to the factors on the corporate side.

Big firm fund demand

The trend of fund demand since 1975, has made a noteworthy change from the pattern in the 1965-74 decade.

First, fund demand registered a sizable decrease consecutively in 1975 and 1976 despite the start of business recovery, in the previous period, corporate fund demand swayed the course of bank loans.

During the fiscal 1968-74 in Japan increased at an average annual rate of 15.9 per cent. In the interim, the comparable average growth stood at 11.8 per cent for the depreciation outlay and 12.0 per cent for pre-tax profit. As a result, the growth of internal funds, including reserves, made only a modest gain of 12.8 per cent.

Under such circumstances, the internal fund ratio (internal funds/total fund demand) continued to dwindle and the fund shortage continued to swell in the 1965-74 period, except for fiscal 1972 when fund demand was dull and fiscal 1973 (when corporate earnings sharply increased).

In fiscal 1976, however, the corporate profit registered a sharp gain of 41.5 per cent over the previous year. As a consequence, internal funds made a solid gain of 29.6 per cent to reach ¥8,000 billion, eclipsing ¥7,550 billion in fiscal 1975.

In contrast, fund demand continued to dwindle. Accordingly, the fund shortage in fiscal 1976 stood at ¥4,770 billion, showing a sharp decrease of 39.9 per cent from the previous year and declining to the low level of ¥4,890 billion in fiscal 1977. As a result, the ratio of internal funds rose to 62.6 per cent.

Latest trend

The latest slowdown of bank loans to major industries and key enterprises thus is attributable to the following factors: 1) A sharp decline of fund demand; 2) A steep decline of the fund shortage due to an increase of internal reserve funds; 3) The changing corporate management consciousness as represented by the rising move of corporations to pay back outstanding borrowings.

It needs to be seen whether this new trend of Japanese corporate management is

bound to stay fixed.

With reference to the phase of fund demand and shortage, some specific industries, represented by consumer durables industries, are expected to be able to do well with their internal reserves even in case of the gradual rally of plant and equipment investments in the future inasmuch as their internal reserve ratio or their self-financing ratio (internal investments) have continued to stand high.

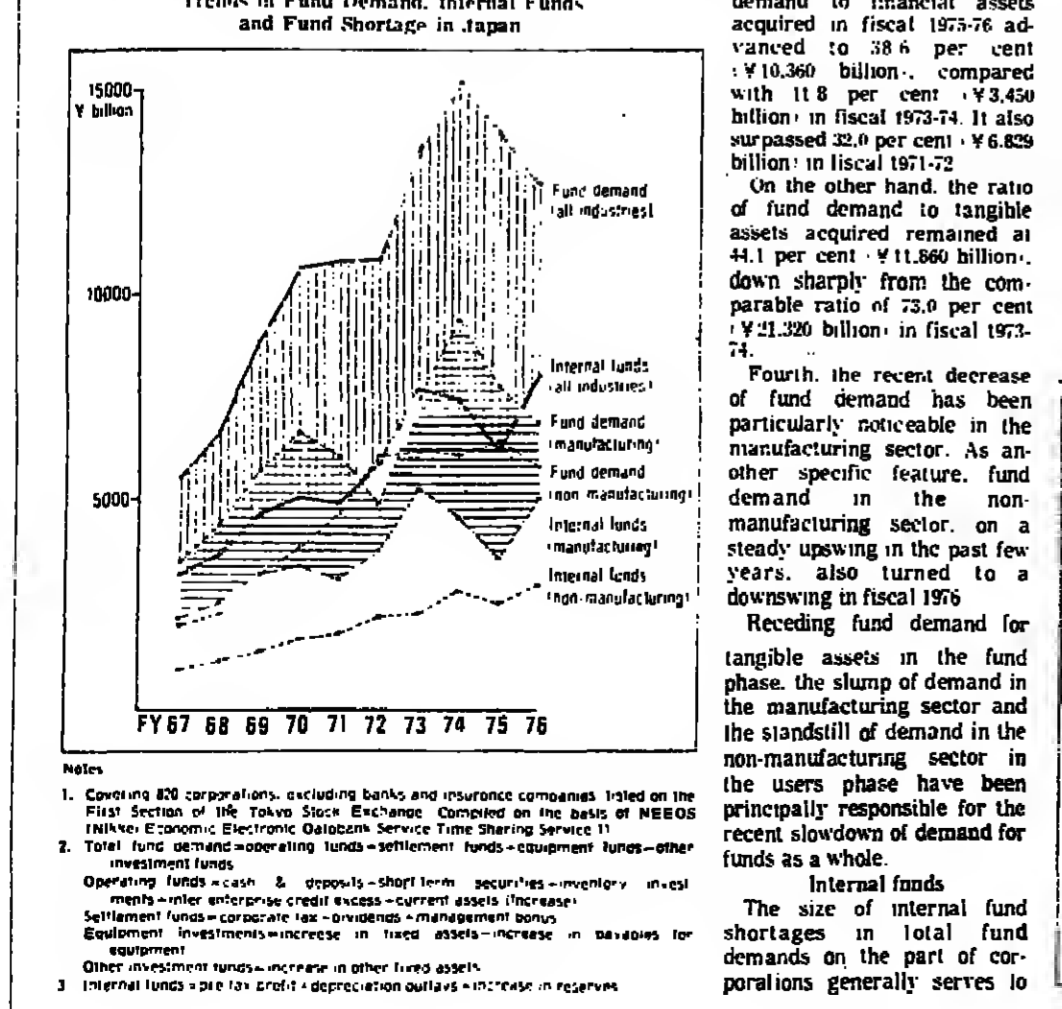
Such industries also are adopting positive policies for improving their finances by operating idle funds and repaying borrowings. Many of them also are moving to diversify the channels for acquiring funds by increasing capitalization by issuing new shares at the market prices or floating corporate bonds.

Under the circumstances, the rate of dependence on borrowings by such industries is destined to decline gradually.

On the other hand, the situation is different for basic materials and capital goods industries as their internal reserve ratio has been low and their dependence on external funds is likely to continue heavy in the future.

Many of such industries also are suffering from the wide supply-demand gap and surplus equipment from a medium-range standpoint. Hence, demand for funds by such industries, especially for equipment funds, is unlikely to become activated, at least for some time.

Overall, the Japanese economy will continue to go through the process of adjustment to get ready to shift to a stable growth on the medium-range basis. As a consequence, a full-scale recovery of corporate demand for borrowings cannot be expected for the time being.



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Coupons due January 1, 1978 should be detached and presented for payment in the usual manner to the payor named on the coupons.

HAMERSLEY HOLDINGS LIMITED

November 29, 1977

THE NEW JAPANESE CABINET

The PM's three wise men

CHARLES SMITH

MAJOR reshuffle carried out by Mr. Takeo Fukuda, the Prime Minister, hinges on key appointments. They include Mr. Toshio Komoto at the Ministry of International Trade and Industry (MITI), Mr. Kiichi Sawada at the Economic Planning Agency (EPA) and Mr. Masayoshi Ohira at the Ministry of Finance. The three, Mr. Murayama is a rising star of a dark horse. His appointment has been largely taken up by financial markets, first as a result of his appointment as Special Representative to the Liberal Democratic Party. Mr. Komoto replaces Mr. Tatsuo Ueda as an effective and able industry minister during a two-year spell under Prime Minister Takeo Miki. Mr. Sawada, aged 58, is one of Japan's most distinguished politicians. He served in the EPA as well as at the Foreign Ministry and was originally expected to be named Minister of Economic Relations, a new

TOKYO, Nov. 28

wilderness began when his name was mentioned in connection with the Lockheed affair. Mr. Nakasone's reinstatement was clearly not good news for Mr. Masayoshi Ohira, the current LDP secretary general who is generally regarded as Mr. Fukuda's heir apparent. Mr. Ohira originally wanted to keep the three main intra-party posts unchanged and apparently changed his mind only when Mr. Fukuda convinced him that one of the three party office holders, Mr. Komoto, was needed in the cabinet proper. The most urgent task awaiting the new cabinet is to finalise a list of import liberalisation measures to be offered to the United States in settlement of the increasingly bitter trade dispute between the two countries. Next comes the 1978 budget which has to be drafted before the end of the year and which will provide the main thrust behind attempts to reflate the economy and offset the effects of yen revaluation.

The new Japanese Cabinet includes: Prime Minister, Takenaka Kakuei; Justice Minister, Mitsuhiro Setogawa; Foreign Minister, Susao Senoda; Finance Minister, Tatsuo Murayama, 52; Education Minister, Shigeo Sumida, 60; Health and Welfare Minister, Taisuke Ozawa, 60; Agriculture-Forestry Minister, Ichiro Nakagawa, 52; International Trade and Industry Minister, Toshio Komoto, 66; Transport Minister, Renji Fukunaga, 67.

brief has gone instead to Mr. Nobuhiko Ushiba, a former Ambassador to Washington who has been Japan's economic envoy to the United States since he was appointed to the post in 1974. He is the only non-politician in the new cabinet. Two other important appointments are those of Mr. Susao Senoda to the Foreign Ministry and of Mr. Ichiro Nakagawa to the Agriculture Ministry. Mr. Senoda will prepare the

THE SADAT PEACE INITIATIVE

U.S. dithers over Cairo invitation

DAVID BELL

WASHINGTON, Nov. 28

President Carter and his foreign policy advisers have several times today decided to react to President Assad's invitation to attend Saturday's pre-Geneva meeting in Cyprus. The U.S. State Department also had a 45-minute meeting today with Mr. Dohrynin, the Soviet ambassador. Officials made little secret of the fact that the administration is unsure about how to respond to the Sadat initiative. Today's meeting from President Assad's remarks taken as a hopeful sign that the united Arab front is not shattered after all. It was a welcome for the remarks made by King Hussein of Jordan. It was felt that he had gone as far as could be expected in supporting Sadat without compromising his relations with President Assad. While it is likely that the U.S. will send some sort of representative to Cairo, both the State Department and the White House are torn between giving too much support to the Sadat proposal which might isolate Egypt and Israel from the rest of the states in the Middle East. On the other hand, by giving too little support they could irritate both Israel and Egypt. Whatever the decision is, it was evident today that for the moment, the U.S. has no real control over what is going on and little advance warning. Mr. Jody Powell, the President's press secretary, admitted as much when he told reporters that President Carter was keeping a "low profile." American Jewish groups were pressing the President to back the Sadat proposals, but the administration is worried that this could lead to the effective abandonment of months of careful diplomacy. But officials also believe that however attractive a proposition it might be in the short term, a separate Egyptian-Israeli peace would cause serious problems in the Middle East. The United States does not decide to send anyone to Cairo it is possible that he will go only as "an observer" and that the Soviet Union may also send a low-level delegate to observe. Senior French officials flew to Cairo yesterday to meet Egyptian leaders, but the purpose of their mission was not announced. United Nations Secretary General Kurt Waldheim has reacted "with interest" to Mr. Sadat's proposal but says he will not make any commitment until he has spoken to U.S. and Soviet diplomats.

Continued jockeying over OPEC oil prices

By Our Foreign Staff

THE jockeying for positions on oil prices to advance of next month's OPEC meeting continued yesterday with Kuwait and Indonesia reportedly agreeing that prices should rise by about 8 per cent. Iran meanwhile said oil prices would not be raised for two years. Abu Dhabi in the United Arab Emirates was reported to have asked the two major oil companies operating there to cut production next year by about 15 per cent to a maximum of 1.35m. barrels/day (b/d). Authoritative sources in Kuwait said that agreement on a rise of about 8 per cent had been reached during talks with Mr. Mohammed Sadiq, Indonesia's Oil Minister, who arrived on Sunday night as part of a tour of OPEC countries in preparation for the conference which opens in Caracas on December 20. However, Mr. Jamsheed Amouzgar, Iran's Prime Minister, was quoted in the Bahrein weekly magazine, al-Mawakef, as saying that "oil production from the exporting countries has fallen because the storage tanks of the consuming countries are full. Any increase in oil prices would also cause the third world countries balance-of-payments and other problems. Therefore it is not in our interests to raise prices during the coming two years."

The authoritative Middle East Economic Survey (MEES) reported yesterday that on November 19 the Abu Dhabi government had asked the Abu Dhabi Petroleum Company (ADPC) to produce a maximum of 550,000 b/d in 1978 compared with a ceiling of 995,000 b/d during the last quarter of this year. Abu Dhabi Marine Areas, in which the Government holds a 66 per cent share as in ADPC, has been asked to reduce its ceiling from 550,000 b/d to 500,000 b/d. MEES reported that there had been speculation about the reasons for the Government's action. This ranged from belief in its genuine desire for conservation, to the possibility that it might be part of a move among members of OPEC towards production restraint, because of an expected glut in the oil market next year.

Polisario frees fishermen. Western Saharan guerrillas yesterday released three fishermen they captured in an attack on a Spanish trawler off the Saharan coast this month. Reuter reports from Algiers. The men were freed at the Polisario headquarters of the Polisario Front, which is fighting for the Western Sahara's independence with Algerian backing. Representatives of Spanish left-wing parties, trade unions and supporters of Polisario demands attended the liberation ceremony. Harrier sale alarm. The Communist Party Newspaper Pravda yesterday expressed its alarm over Chinese plans to purchase the British Harrier fighter plane. David Satter reports from Moscow. Pravda said "A dangerous identity of views" has developed lately between the Chinese and Nato. S. Africa detainees. More than 700 people are detained without trial in South Africa, according to latest figures from the Institute of Race Relations. Reuter reports from Johannesburg. Another 160 are restricted by banning orders, which effectively silence the victims.

Jordan's uneasy balancing act

RICHARD JOHNS

AMMAN, Nov. 28

A DELICATE balancing act Jordan announced today that it would accept Egypt's invitation to attend this week's preparatory talks in Cairo only if the Middle East peace settlement in Cairo only if the parties concerned did so. Alternatively, on the same terms, it would be willing to attend the rejectionist summit of Arab leaders. Its extraordinary compromise Jordan's concern not to alienate either Egypt or Syria. Without elaboration — but clearly referring to its unilateral nature — King Hussein expressed the essence of the Egyptian initiative. Despite his concern about the disarray caused by Mr. Sadat's hold stroke, King Hussein also betrayed sympathy with his frontal attempt to "break the deadlock. He has in the past held secret meetings with Israeli leaders. Such meetings have never been admitted officially. King Hussein has hounded himself to the resolutions of the 1974 Rabat summit which recognised the PLO "as the sole representative of the Palestinian people," entitled to set up a state on territory evacuated by Israel. However, it is known that he would like to see West Bank inhabitants exercise self-determination and also to maintain links with any semi-autonomous entity there. Having said this, King Hussein forms more closely to that of President Sadat and the U.S. Administration, but by its very nature, Jordan must follow that lead.

North Yemen launches 3bn. development plan

JAMES BUXTON

SANAA, Nov. 28

THE YEMEN has launched its 3bn. development plan, which, if executed, will dramatically transform this remote and barely populated country in the south-west corner of the Arabian Peninsula. The plan is to be discussed and agreed by more than 200 states at a four day development conference which was held today by the President of the Command Council, Lt-Col. Ali Ghassani. Most of the Yemeni riyals (\$3.8bn.) over a five-year period running from 1978-81. The largest allocations are for infrastructure development, but agriculture and industry are also to be developed. The plan entails spending four times as much money a year as was spent in the last year before the plan period.

Somalis say Harar captured

By John Worrall

WHILE THE REBEL High Command of the West Somali Liberation Front today claims to have captured "complete control" of the ancient town of Harar, no confirmation could be obtained from Addis Ababa and there were no reports of retreating Ethiopian troops. Sources in Addis Ababa indicated that the Ethiopian forces were still in full control of the town and that fighting had eased off round the high walls since the high commando assault on Wednesday when battle-hardened groups of Somali rebels reinforced by Somali regular troops broke into the town. They were repulsed with heavy losses after fighting raged along the narrow streets. Some diplomats in Addis said they had been in telephone contact with Harar during the weekend and were told the town was "quiet." For days, the Ethiopian press has failed even to mention fighting round Harar. To-day in Mogadishu the 20,000 strong West Somali Liberation Force leader, Abdirahman Hassan Mohammed, announced that his troops were "in complete control of Harar and the surrounding area." He said the next target was the Ethiopian airbase and rail town of Dire Dawa. The town is patently in great danger from the Somali liberation fighters now in sight of victory over the whole Ogaden region. Putting up a tough defence in spite of problems of supplies and morale, the town is crucial to the defence of Eastern Ethiopia and its loss would deal a damaging blow to the prestige of the Ethiopian leader Colonel Mengistu Haile Mariam and his not very stable government. There were reports that Russian and Cuban advisers were evacuating Harar this weekend but it seems, according to Djibouti sources, that they were medical and hospital personnel leaving by road for Dire Dawa.

Copper survey ordered

MICHAEL HOLMAN

LUSAKA, Nov. 28

IDENT Kaunda has announced the appointment of a seven-member commission to study the Zambia's ailing copper industry. Both RCM Consolidated Mines (RCM) and Anglo Consolidated Copper are facing serious financial difficulties as a result of the falling low copper prices. The committee will be headed by Mr. Luke Mwanambika, former of the Bank of Zambia. It will report back to the President by December 31. Seven weeks ago, in a key economic speech, Dr. Kaunda told an emergency meeting of the Zambian Parliament that the plight of the copper industry called for "exceptional measures." One cost-cutting item under consideration will be retrenchment among the 35,000 mine workers, but a leader in the Times of Zambia to-day ruled out "wholesale sacking of workers and drastic pay cuts" as "neither humanitarian practice, possible nor expedient."

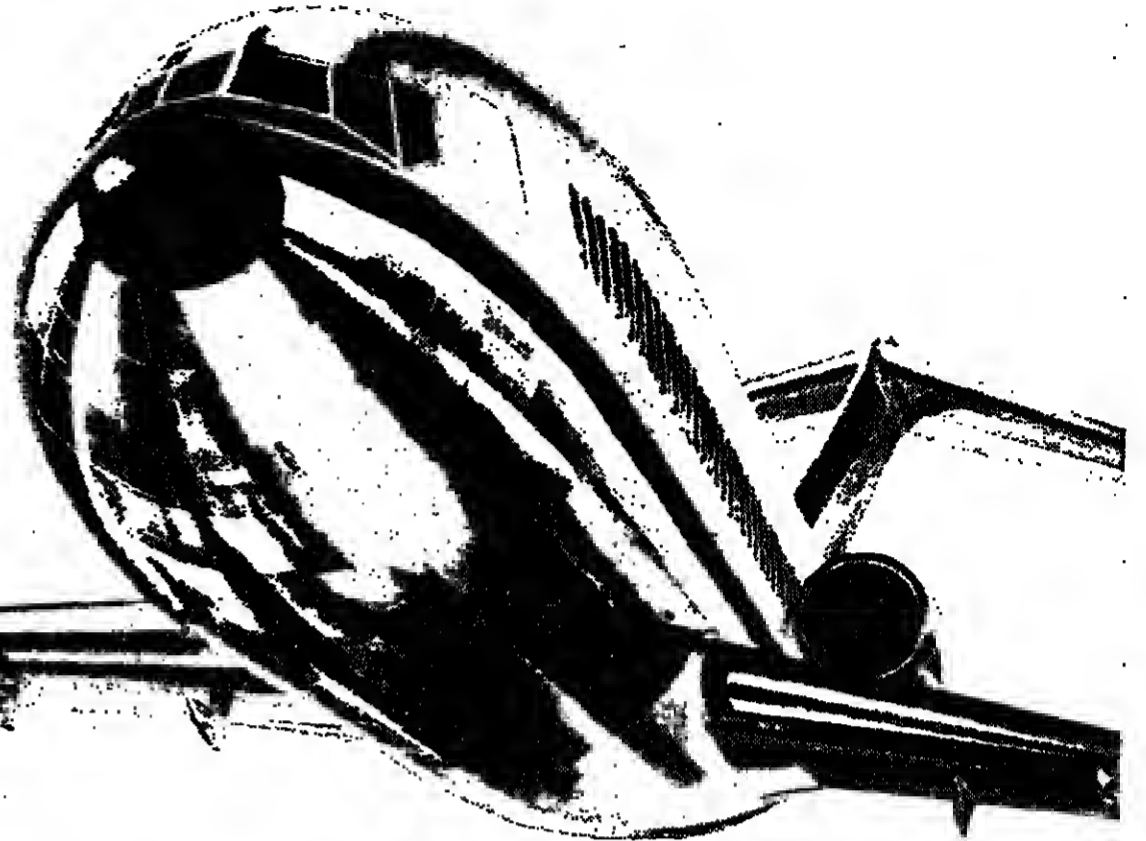
Zanzania-Kenya in border talks

OUR OWN CORRESPONDENT

NAIROBI, Nov. 28

MEETING is to be held next week in Kisumu, Kenya, between President Nyerere is prepared to reopen the border in January Kenya to deal with problems providing a satisfactory arrangement can be made over the community's assets and liabilities. The border is completely sealed and there is no direct movement by road, rail or air between Nairobi and Dar es Salaam. Neither Kenya nor Tanzania nor international aircraft can fly direct.

مكنا من الرجل



McDonnell Douglas quietly introduces the new DC-9 Super 80.

Quietly? Because the new DC-9 Super 80 will be quieter than any jets currently in operation with the world's major airlines.

In fact, the new DC-9 Super 80 is so quiet it even meets new government and international goals for new aircraft design of the 1980s. Airport areas affected by high noise levels are predicted to be only one-fourth to one-fifth that experienced with earlier comparably-sized jets.

And while making less noise, the engines will produce more thrust and make the DC-9 Super 80 by far the most fuel-efficient aircraft in its class.

The dependability passengers have come to expect from DC-9s will continue in the new DC-9 Super 80. In the cabin, wide-look decor, lower sound levels and increased ventilation are standard.

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Already chosen by Swissair, Austrian, Southern and Linea Aeropostal Venezolana, the DC-9 Super 80 will quietly make the world a better place.



The DC-9 SUPER 80.

MCDONNELL DOUGLAS

ON OTHER PAGES

International Company News
Loan for Indonesia
Monoclonal respiration 34/35
Farming and Raw Materials
NZ lamb shortage
Winter crop prospects 33

WORLD TRADE NEWS

U.K. clothing exports top £67m.

By Kevin Done BRITAIN'S CLOTHING industry achieved record export levels in October...

Volkswagen in talks on Iran car assembly plant

BY GUY HAWTIN FRANKFURT, Nov. 28. VOLKSWAGEN, West Germany's largest motor-car manufacturer...

China buys offshore supply ship

OSLO, Nov. 28. THE Chinese Government has bought a 910 tonne d.w. offshore supply boat from a Norwegian company...

British consortium wins \$25m. S. Korea contract

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT A BRITISH consortium led by Herbert Morris has won a \$25m. contract to supply equipment for the Okpo Bay industrial complex...

Toyota may buy in U.K.

TOKYO, Nov. 28. TOYOTA MOTOR said it is negotiating with three companies in France and Britain to import cars to help promote Japanese imports from the European Economic Community.

Fiat nuclear link with State concern

ROME, Nov. 28. THE Turin-based Fiat group, Italy's largest private company, and the State-controlled Finmeccanica concern have reached an agreement to collaborate in the nuclear energy field.

Siemens order

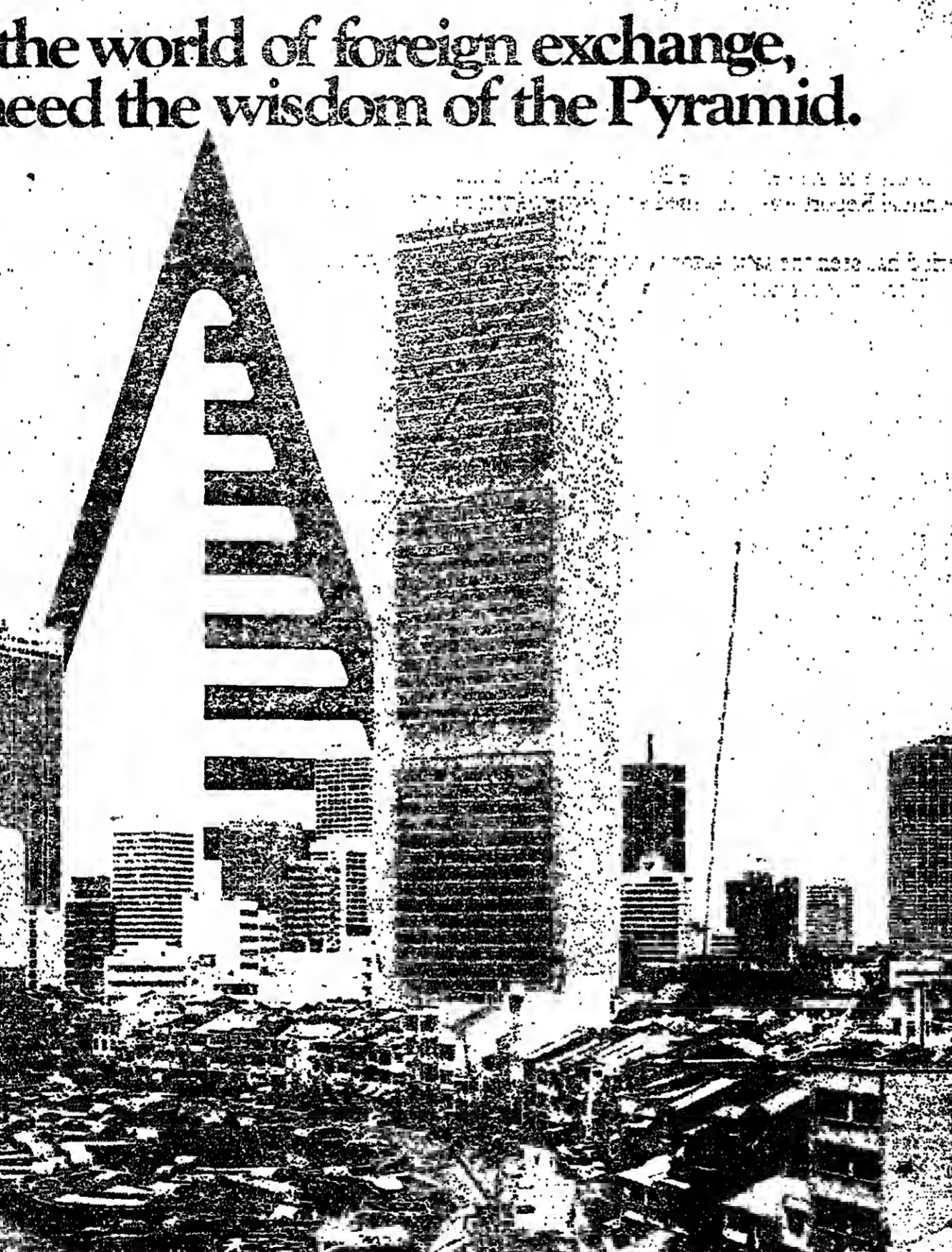
Siemens AG has received orders from Saudi Arabia for the construction of two power distribution units valued at a total of DM77m.

Mitsui-Saudi deal

Japan's Mitsui Shipbuilding and Engineering said yesterday it had won an \$85m. order from Sogex International of Britain to export desalination plant equipment to Saudi Arabia.

Franco-Syrian accord

French Premier M. Raymond Barre yesterday ended his visit to Syria and flew back to Paris after he signed an agreement for the guarantee of French investments in Syria.



In the world of foreign exchange, you need the wisdom of the Pyramid.

In olden times, the pyramid stood for a kind of knowledge that few possessed. In today's world of foreign exchange, the Bankers Trust Pyramid stands for very much the same thing.

Textile Quotas Australians to extend curbs

CANBERRA, Nov. 28. THE Australian Government has promised. Unlike Mr. Whitlam, duties above the quota—\$A announced a series of measures of jobs through across-the-board case of coated railway.

EEC deadline approaches

BRUSSELS, Nov. 28. BRUSSELS OFFICIALS to-day admitted that, with only some nine agreements reached with textile supplying countries...

India gains concession

NEW DELHI, Nov. 28. INDIA HAS obtained a major concession from the European Economic Community which has agreed to permit duty-free entry of jute products from next January...

GATT call on trade rules

GENEVA, Nov. 28. A CHAIRMAN of the World Trade Organization's trade governing international trade actions is crucial to the effort...

FINANCIAL TIMES

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مكزاس الأصيل

حکومت الخجل

HOME NEWS

Cabinet to discuss nuclear power order programme

BY RAY DAFTER
CABINET is to discuss immediate nuclear order programme today... Mr. Wedgwood Benn, Secretary of State for Energy...

BP start on Magnus Field expected soon

BY RAY DAFTER, ENERGY CORRESPONDENT
BRITISH PETROLEUM is expected to start on the Magnus oil field... The field is situated in the North Sea, requiring either a very large steel platform...

'Insider' reprimand for former NatWest assistant manager

BY MARGARET REID
A BANK official who used confidential information for a share transaction which yielded a profit of about £500 has been reprimanded by the City Take-over Panel...

Government to review competition policy

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT
THE GOVERNMENT is to amend the 1973 Fair Trading Act to ensure that the requirements of industrial strategy are taken account when assessing the merits of proposed mergers...

Report on Crown Agents' loss due on Thursday

BY MARGARET REID
THE REPORT of the Fay committee on the Crown Agents' heavy loss-making excursion into secondary banking and property to the years up to 1974 will be published on Thursday afternoon...

Keyser Ullmann sues Stern

FORMER property-developer William Ullmann is suing for nearly £1m by Keyser Ullmann, the London merchant bankers in the High Court yesterday...

I would not pass money to a soldier-Racal chief

FINANCIAL TIMES REPORTER
THE CHAIRMAN of Racal Electronics explained his attitude to arms contracts when the corporation trial of two of his former executives resumed yesterday at the Old Bailey...

Woodside Petroleum Ltd. A progress report to shareholders. It is usual about this time of the year for the Board to report to shareholders on activities since the Annual Report was published... Development Planning... Exploration... Future Exploration... Finance...

Machine-tool aid scheme till has £6m. left

BY OUR INDUSTRIAL CORRESPONDENT
GOVERNMENT'S machine tool aid scheme still has £6m. left and the industry department has issued a notice that applications must be made by the end of the year...

LT seeks 450 new buses

BY OUR INDUSTRIAL STAFF
LONDON TRANSPORT faces a port to be authorised to purchase, for £17m, 450 double-deckers of either type next year...

Warning on beer price

BY KENNETH GOODING
PRICE of a pint could be the "tied" house system in which the brewers own the public houses is being altered, according to the Brewers Society...

ART GALLERIES

BRISTOL INTERNATIONAL FINE ARTS FAIR, London's first fine art fair since the reopening of the Royal Academy in 1945. Open on December 1st to 16th...

HOME NEWS

Japanese Subaru cars go on sale

BY TERRY DODSWORTH

THE SUBARU range of Japanese cars, which go on sale in Britain this week, will cost from £2,800 to almost £3,700.

The four-wheel drive estate, which Subaru hopes to sell for off-road purposes and normal motoring, will cost £3,697.

The Subaru importers in the U.K., who are associated with the former Jensen company, said yesterday that they were aiming to make further dealer appointments soon to bring their total to about 30.

Eventually, they hope to bring the dealer list to 100, selling about 10,000 vehicles a year, but the immediate aim is to meet the minimum commitment of 1,500 cars in the first year.

All five vehicles in the Subaru range are powered by the same design of 1.6 litre flat-four engine driving the front wheels and all have independent suspension and rack-and-pinion steering.

Renault

The Japanese manufacturing company is a part of Fuji Heavy Industries, which is loosely connected with the Nissan group.

The Renault 20TS, also going on sale in Britain will cost £3,734 for the manual version to £3,054 for the automatic.

The TS shares the same five-door hatchback body as the 2.7 litre R30 and the 1.6 litre R20, but is powered by a 2.0 litre engine.

The unit is made at the joint Renault-Peugeot-Volvo engine plant at Douvrain in France.

Perstorp £5m. spending plan

PERSTORP, the Swedish chemicals and plastics concern, has corrected its statement made last week of group investment intentions for the U.K.

It is planning to spend £5m. over the next five years in Britain—£4m. in chemicals and £1m. in decorative laminates, and not £15m. as stated last week.

Pay rises and exports decline worries CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

CBI LEADERS are becoming concerned that a decline in the rate of growth of exports plus high levels of pay increases may upset Britain's economic recovery next year and lead to a boost in consumer spending and a worsening of the country's balance of payments.

This view is growing in spite of a steady improvement in the likely trend of price rises and what is described as "exceptionally good" exports of manufactured products so far this year.

These are the main points to emerge from the CBI's monthly economic and trends report drawn from survey replies submitted to the CBI by more than 2,000 companies in manufacturing industry between November 1 and 15.

When industrialists and economists on the CBI's economic situation committee met last week under the chairmanship of Mr. Ray Pennock, a deputy chair-

man of ICI, to approve the report, they reflected increasingly gloomy views about prospects from their own companies.

This led the CBI yesterday to say that "although economic forecasts for the next few months have pointed to some recovery for industry in general, no such recovery is yet apparent from more up-to-date information."

Their worries start with the development of the current pay policy because, at best, the 10 per cent target for earnings increases is becoming a norm for settlements. "Even if widespread breaches of the guidelines are avoided, it seems that pay increases may, in many industries, be too high to be sustained without damage to output. Increases of more than 19 per cent in earnings over the next two years would clearly lead to lower output and employment by 1979 than would an average increase within the guidelines."

The CBI also points out that the intake of export orders has slowed since the middle of the year and that, although there are hopes that it will pick up again, developments in world trade will not help.

Economic growth next year, therefore, might be slanted away from an expansion of exports and towards more consumer spending, which could have an adverse effect on industrial confidence and profitability.

On the brighter side, the improved prospects for price rises emerge from the fact that fewer companies reported intentions to raise their average selling prices than at any time since April 1972. The figures show a marginal improvement on results for September and October and continue a trend that has been evident throughout the year, so that now there is a balance of only 46 per cent of respondents expecting to raise prices compared with 77 per cent last December.

Britain's oil 'a safety net'

NORTH SEA oil was providing a "safety net" for Britain and a chance to put its economy in order—an opportunity that must be grabbed while the going was good, Mr. Roy Close, director-general of the British Institute of Management, said yesterday.

"Some people are discussing the future use of oil revenues as if it is an either/or situation. It is not."

Mr. Close said at a London conference: "Of course we must ensure that some of the revenue is used for investment in new assets for future wealth, but we must also ensure that some is used for rewarding those whose special skills will be needed to make these assets work properly and pay for themselves and provide future wealth."

"We need a higher ratio between the value of what we put in and the value of what we get out."

Incentive must be given to people who wanted to be leaders. "We have in the past neglected quality and devised incentive and rewards for knowledge, skill and responsibility. We now have the chance to put that right."

A key to the future, was alert, professional and adventurous managers—and recognised and rewarded managers," Mr. Close said.

Delays cost exporters £500m.

BY DAVID FREUD, INDUSTRIAL STAFF

BRITISH INDUSTRY is not taking advantage of the sophisticated transport and distribution services available for its exports, according to a "little Noddy" report. The direct cost of inefficiency and unnecessary delays to manufacturers is estimated to total £500m. a year.

The report said that the im-

portance of transport and distribution in exports was neglected by most British companies.

People in each company handling transport had low status, were untrained and had limited career potential. The shipment of exports generally did not come under company planning and there were large gaps in information because of this, higher levels of stock were required to cover the delays in delivery, production schedules were tighter than necessary; cash flow was affected; and exporters often wasted considerable space in packaging, all of which had to pay for.

Indirect losses caused by inefficiency were estimated to be at least as high again as the £500m direct costs.

Dublin angry over Dutch pull-out

THE IRISH Government has reacted with undisguised anger to the decision by Alzo Dutch multinational to close down its £20m. Ferinka subsidiary at Limerick.

Mr. Desmond O'Malley, the Republic's Industry Minister, said "it is surprising and most disappointing that this decision should be announced when the workers had agreed to return to work."

Production at the Ferinka Steel cord plant has been at a standstill for seven weeks because of an inter-union recognition dispute that has cost an estimated £12m.

Yesterday's closure notice has come as a shock because it coincided with the return to work of Ferinka's 1,400 employees. The Irish Government has lost no time in saying that the £6.5m granted to Ferinka by the Industrial Development Authority must be repaid.

A three-man delegation from Ferinka's parent company in the Alzo group, the Arnhem-based Enka, warned the Dublin Government last week that closure was imminent unless the dispute was resolved immediately. After a vote by workers involved in the dispute to accept a peace plan it had been thought that Ferinka would drop its closure threat.

The Enka Board said in Arnhem last night that the decision to close the plant had nothing to do with the commercial prospects of the plant, which supplies many leading tyre-makers.

He said the reason had been the accumulated losses, nearly £15m, since Ferinka's establishment, including the effect of the strike, and earlier repeated work stoppages.

"We have lost confidence in the company's ability to restore normal labour relations," Ferinka Ireland opened in Limerick in 1972 and was originally scheduled to double capacity for a £40m. complex during 1974. It made the headlines when Dr. Eide Herrma, its chief executive, was kidnapped by Republican extremists in October 1975 and held for six weeks that ended with the Monasteravin siege.

Although the Irish Government has been sympathetic to the Dutch company's problems it is clearly angry at the Ferinka pull-out and concerned that the decision may prejudice Ireland's vital foreign investment drive.

Mr. O'Malley's statement last night said that he "seriously setback" of "Ferinka's closure" would not be permitted to affect the momentum of Ireland's industrial drive."

Accountants demand more information on Co-op business

FINANCIAL TIMES REPORTER

MEMBERS of the co-operative retail societies are not given enough information about the state of the businesses they are supposed to control, the chartered accountants' journal claimed yesterday.

Although the co-operatives' accounts have to be prepared for the Registrar of Friendly Societies, there is no obligation to publish them, the magazine Accountancy says.

In a survey of the top 20 retail societies it found that only two gave details of departmental turnover and comparisons with the previous year.

Eleven did not publish details of the number of people employed, and none made any forecast about future prospects.

Even the Co-operative Wholesale Society, which co-ordinates the movement's commercial activities, did not differentiate between the turnover of manufacturing and wholesaling.

None of the top 20 companies provided comprehensive details of interest and repayment on bonds and loans. Nor did they give any explanation of the origin or nature of their reserves or how it was intended to use them.

The author of the article, Mr. Kinloch Anderson, suggests that all the information required by the Registrar of Friendly Societies should be disclosed to members, and that the contents of accounts and regulations about auditors should be harmonised with the Companies Act requirements.

David Frost wins tax appeal

DAVID FROST, the television personality, does not owe more than £174,000 of tax earnings in America, a High Court judge ruled yesterday.

Mr. Justice Browne-Wilkinson said that a Bahamian partnership Mr. Frost set up in 1975 was not set up to avoid tax. It was designed to handle Mr. Frost's increasing earnings abroad, particularly in the U.S.

The judge dismissed with cost the Inland Revenue's appeal over a Tax Commission decision excluding Mr. Frost's foreign earnings between 1975 and 1976 from income tax.

The taxman had originally assessed Mr. Frost, of Edgmont Crescent, Chelsea, for 1975-76 on the three years on £174,000 but the Commission had reduced that to £27,806, which was all money earned in Britain.

The judge rejected the Inland Revenue's claim that the partnership could not exist as law as only one member was active under the agreement. Mr. Frost received 95 per cent of the profits of the company, Leader Productions.

The judge held that the partnership was legally valid. It was intended to exploit Mr. Frost's talents abroad.

The money under the Bahamian partnership was never received by Mr. Frost in this country. Since the 1974 Finance Act was introduced, tax is payable in Britain on 75 per cent of foreign earnings paid out of this country.

Format on gilts will set standard, say actuaries

BY ERIC SHORT

THE NEW format of the FT Actuarial price indices for gilts would form the standard against which investors could compare portfolio performance, two leading actuaries claimed last night.

Mr. George Dobie, investment manager of The Scottish Provident Institution, and Mr. David Wilkie, economic research manager of Standard Life Assurance described to the Institute of Actuaries in London how the new indices, which have been published in the Financial Times since May, are constructed.

The indices had been designed so that investors could select their own standard if desired. They could use the indices allowing for a particular tax rate and a particular mix of short, medium, long and unguaranteed gilt. Capital and income performance could be considered separately if desired.

The actuaries' paper also discussed the possible uses of the fixed-interest yield matrix now published in the Financial Times. This provided a daily pattern of the current gilt yield curve and would show how the shape changed with time.

It was expected that the yields would be used in measuring the "yield gap" between the returns on equities and gilts.

The authors thought that the yields would be of particular use to the Government Actuary in determining his tables for buying back pensions from company and a particular mix of short, medium, long and unguaranteed gilt.

Shell meets its shareholders

BY NICHOLAS LESLIE

AN EXPERIMENT in communications between a company and the people who own it is to take place today in Brighton when Shell U.K. plays host to several hundred of its shareholders at two meetings in the town's conference centre.

Mr. Bill Bell, a managing director of Shell U.K., will be the aid of a short film, will outline to shareholders what Britain's second-largest industrial company is doing in the North Sea.

The occasion is not an annual meeting, which tends to be like most company meetings, but he a formal affair at the company's headquarters, Shell Centre in London.

Today's day will be an informal get-together of a kind probably not seen in Britain before.

Mr. Bill Bell, a managing director of Shell U.K., will be the aid of a short film, will outline to shareholders what Britain's second-largest industrial company is doing in the North Sea.

He will explain the work involved in and the significance of Shell's 50:50 share with Esso in the Brent Field and its other projects which require an outlay by Shell £1m. a day and a total investment in the North Sea by 1979 of about £2.5bn.

There will be other sent Shell executives ready to provide further information, a to answer any questions.

A FINANCIAL TIMES SURVEY

SPAIN

DECEMBER 13 1977

The Financial Times is preparing to publish a Survey on Spain. The main headings of the provisional editorial synopsis are set out below. For further details of this and of advertising rates contact:

Michael Prideaux,
Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.
Tel: 248 8000 Ext. 424. Telex: 885033 FINTIM G.
or
Luis Andrade,
Ponzano 72, 2°C, Madrid 3. Tel: 253 0888.

INTRODUCTION Progression towards a modern state which can hold its own politically and economically; particularly if Spain is granted EEC membership.

POLITICS Prime Minister Adolfo Suarez and his union of the Democratic Centre pursues policies of gradual change; determined opposition from Señor Felipe Gonzalez, head of Socialist Worker's Party.

ECONOMY \$4bn. balance of payments deficit; attempts to stimulate industrial recovery and competitiveness in exports; discouragement of domestic consumption; austerity measures and tax reforms are aimed at cutting back currency supply, holding down inflation and distributing income more evenly.

INDUSTRY High costs due to oil and raw material prices; too many firms accustomed to outlets on the domestic market.

FOREIGN TRADE 40 per cent. of exports to EEC countries.

AGRICULTURE 23 per cent. of work force employed on the land; damage due to soil erosion; mechanisation slow to reach some zones.

TOURISM 20 per cent. devaluation of peseta in July caused boom; efforts to obtain franchises for casinos in Balearics and Canaries.

BANKING 8 per cent. bank rate in July and August; tax reforms; inspection of accounts.

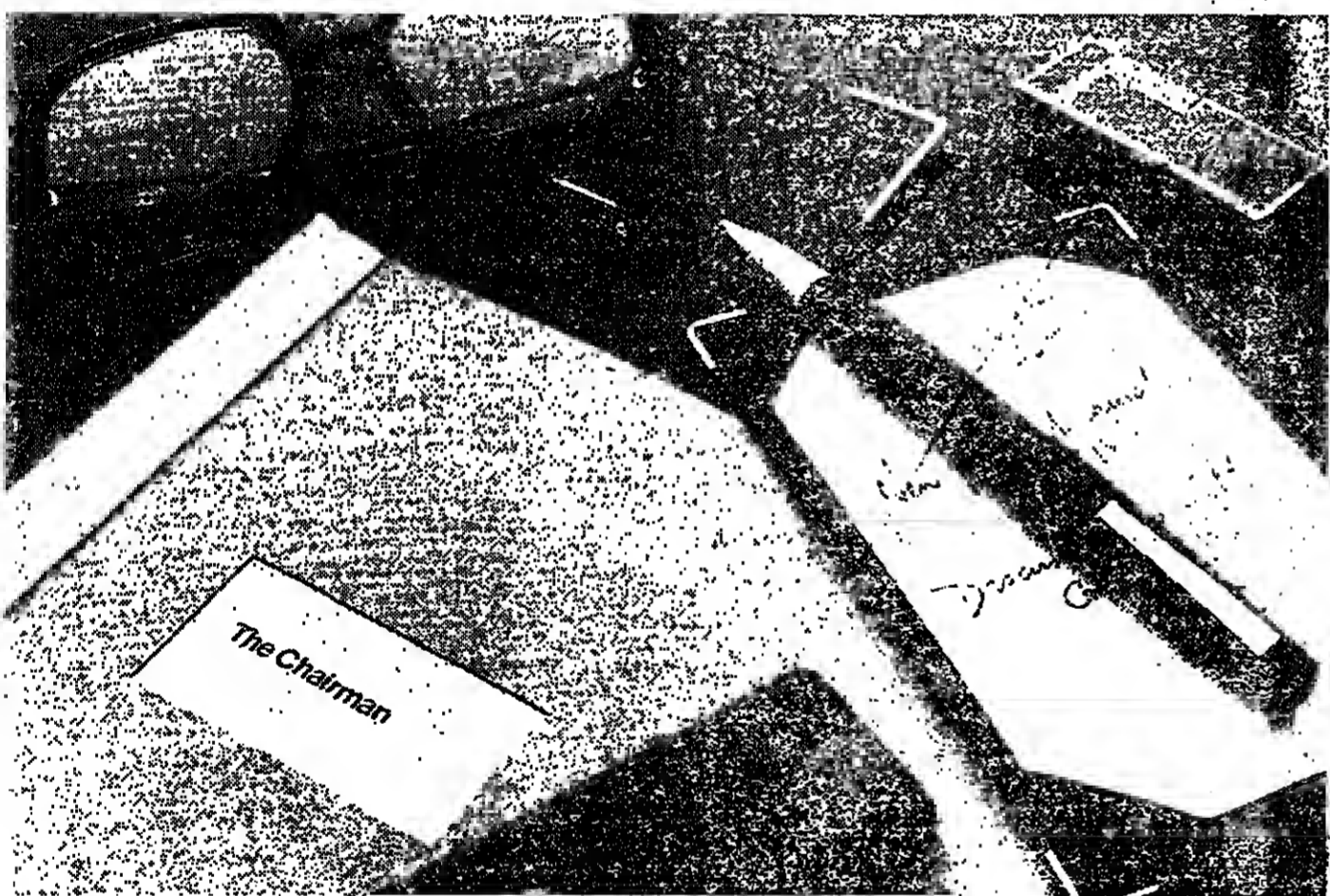
FISHING Spain has suffered from the international 200-mile limit; Government efforts to solve the problem.

LABOUR Free trade unions with undefined powers; major unions criticise Government and their efforts.

REGIONAL DEVOLUTION Need for regional autonomy recognised by Government; progress toward generous autonomy for Catalonia and the Basque country.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor.



This man aims to invest £500,000 in a new production line for his company

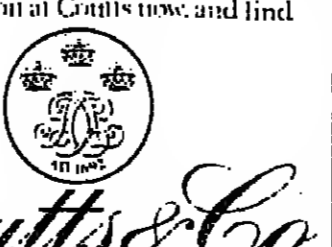
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TUC proposes new £1bn. lending facility

THE WILSON COMMITTEE today publishes its second volume of oral and written evidence on the financing of industry and trade.

The written submissions—already published—of the Federation of British Industry, the Trades Union Congress and the Association of Independent Business are reproduced alongside the transcripts of the hearings at which the committee discussed this written evidence with its authors.

Here are presented some of the more striking comments which were made at the three hearings, grouped by theme rather than by interest, in contrast to the points of view expressed.

Contrary to the sections reproduced in the first volume, evidence of the TUC that a new lending facility be published ready to invest £1bn. a year in industry and funded out of North Sea oil tax revenues and half out of the net flow of funds into investing institutions. The TUC's aim is to get the institutions more directly involved in manufacturing investment.

Not enough space is available to do justice to the lengthy

discussion of the problems of small businesses—a topic which has loomed large in the evidence presented to this committee so far.

Both the CBI and the Association of Independent Businesses deal extensively with this problem. Both stress taxation and its effect on the supply of private capital and the will-power of the entrepreneur as major factors. Both add that the volume of time-consuming legislation with which a small company has to comply is another.

But the CBI and representatives of small companies appear to disagree on the "information gap"—the supposed ignorance of small entrepreneurs of possible sources of finance from institutions. The CBI raises this as a problem; the small businessmen push it back.

Indeed, the association tends to be against institutions and to favour business, advocating a climate where such businesses can stand on their own feet.

It does, however, suggest that bank loan guarantees, along the lines of those supplied by the Small Business Administration in the U.S., would be helpful.

London of the American banks has provided a competitive spur to which the commercial banks here have responded. Most of us who have been involved in large-scale operations with the banks have welcomed the arrival here of these foreign banks, and commercial banks have modified themselves in some ways; perhaps that increase in medium-term lending has something to do with the arrival of the Americans.

The other big factor, of course, is the long-term lending which in the past most of us have engaged in, and where we look to the institutions, and particularly the insurance companies, as buyers of our long-term securities. This market has disappeared because of the extraordinary high rates of interest which we have had.

Mr. Leif Mills, general secretary, National Union of Bank Employees, for Wilson Committee. Could the TUC give an indication of where the NEB has intervened in cases where the market has failed to provide appropriate funds?

Bennett: One can name companies. Sinclair Electronics have developed a very small television set which could not get money on the money market. It has been lent money and it is developing. But the major area where the NEB wants to act is in support of the industrial strategy. If you look at every upturn in industry, that there has been since the war, on each occasion it is exactly the same industries that have cut out the bottlenecks, and nothing has been done. The only way we can see it being done is through an institution like the NEB.

Productivity Sir Arthur Knight, for the CBI: The biggest single factor applying through in all sorts of ways, there is an exception, of which we will come to in dealing with small firms. But in relation to the large, as I say, there is great satisfaction. All the consultations that we have had—and we have had masses of consultations within the CBI in



SIR HAROLD WILSON "Would they lick chops?"

double in this factory." He said "You pick any one individual out and look at him and see him or her working and see if they are working overboard, and nobody was. People were properly organised. Methods were right. Management was right. People were riding round on bicycles in the factory. If you tried to ride round a British factory on a bicycle the tyres would be cut to pieces before you got ten yards. These were the differences. You cannot just put people into factories in that sort of condition and expect them to respond in that way but there are plenty of examples we can show you where the British reaction is as good as anywhere else."

Mr. Bennett: One can name companies. Sinclair Electronics have developed a very small television set which could not get money on the money market. It has been lent money and it is developing. But the major area where the NEB wants to act is in support of the industrial strategy. If you look at every upturn in industry, that there has been since the war, on each occasion it is exactly the same industries that have cut out the bottlenecks, and nothing has been done. The only way we can see it being done is through an institution like the NEB.

Lack of demand

Sir Harold: I think what we have to do is to establish the demand and then see how it can be met. As I say, with a Government guarantee of the new investment programme, in the same way as they guaranteed a certain amount of money to the NEB. In an industrial strategy which you are urging on the committee, really a decision for government? In other words, is not the whole argument that it is not the financial institutions who are failing to adopt the industrial strategy has not been accepted, whether by government or by anyone else concerned, or by industry, to ensure that the demand is there, and then to ask the institutions how they would propose to meet it as a second stage? Is that not the real issue?

We are concerned that our manufacturing base has not been growing

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TUC fund

Professor A. D. Bain, for the Wilson Committee. Could you go on to the particular points that you suggest [for the proposed lending facility]. The point is that there should be an appropriate rate of return in the long run. Mr. Bennett, you said something about the conservative nature of the institutions in the issue market. I am wondering whether this implies that you think that the institutions take a short-term view, and if it is what is the evidence for it? Leif: The evidence so far as I am concerned is that I have never met in any circumstances a group of people, pension funds, insurance companies, who have said other than this, that we have to be very conservative. They have to think of the interests of their policyholders, which incidentally overwhelms nowadays in the pension funds are trade union members investing their savings "one way or another." The evidence they are faced with, when we talk to them about industrial strategy they say, "There is nothing we can do. We are restrained by our articles of association, etc., in the way we approach this." We are saying that if we could give them a guarantee they might be very open to participating voluntarily in partnership with the Government in a scheme whereby they could be a little more adventurous in this sort of way.

Financial institutions should feel a part of activity

Mr. Bennett: Yes. That suggestion is made for examination. Sir Harold: In a sense this is almost heresy. The pension funds are sitting very pretty. They are so powerful that they do not know how powerful they are. They could very well be far more powerful than any government would ever dare to do even if it had a large majority in Parliament. I found the Coal Board pension fund extending nationalisation quite considerably with nobody to argue about it as far as I can see. I wonder whether one of the things we must investigate is the complete change, not in our terms of reference but in the ambience of examining the role of the pension funds. This is something, as you have said, that is an important question requiring investigation perhaps when we have further evidence.

Pension funds

Mr. Gordon Bayley, director, National Provident: The insurance companies and the pension funds have recently published their evidence to this committee, and it enters into a good deal of detail of what their investment objectives are and what the management of their funds is trying to achieve. This evidence which is in front of us is very much at odds with what you were just saying about their short-term view. Could Mr. Bennett elaborate? David Bennett, general secretary, General and Municipal Workers' Union: Our overall argument is simply this, that we are concerned that our manufacturing base over the past few years has not been growing

or £1bn. a year. If we are talking about more than half of the equity market being in the institutions and this being savings of people it is surely highly relevant to the total operation of the savings mechanism in our society how we relate that flow of savings to the demands of industry. So I do not see that this is separate in any way from the problem of the industrial strategy.

Bain: Could I ask one final question on this? Can you give us some indication of what sort of calculations would be made in deciding whether an institution should be asked to support a particular project and who would take the decision?

Leif: This is the question of what would be the modus operandi of this new agency. We are not being dogmatic about either its composition or its modus operandi. What we would assume is that the people taking the decisions would be the management team but they would be asked to consult, just like the NEB there is a policy council, and then people who have the responsibility of day-to-day management of the NEB's operations. We put the emphasis on its being a voluntary arrangement in the sense that we would hope that one of your committees had introduced the discussion to a wider public, and maybe come up with a firm set of recommendations in the goal report, that the institutions would see that it was very much an idea they ought to participate in and

Unfortunally it suits them to invest their money in very large tranches, very large amounts. When I had lunch yesterday with the Coal Board's pension fund they mentioned this. They said they need far more staff to invest in small firms. So where you have pension funds with an overriding responsibility this does change the situation. Again, I would have thought that if you want the pension funds to subscribe to a £1,000 million a year increase in the nation's capital investment in reorganising industry, then you certainly the Government would guarantee them, so that they know that they are not putting their future pensioners at risk.

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 North West, Manchester, tel: 061-256 2171
 Yorkshire & Humber, Leeds, tel: 443171 (STD code 0532)
 East Midlands, Tel: Nottingham 56181 (STD code 0602)
 West Midlands, Birmingham, tel: 021-632 4111
 South West, Tel: Plymouth 21891 (STD code 0752) or Bristol 291071 (STD code 0272)
 London & South East, London, tel: 01-605 2060 Ext 221
 Eastern Region, London, tel: 01-405 2070 Ext 359/560
 Northern Ireland, Tel: Belfast 34488 (STD code 0232) or London 01-493 0601

Send for details

To: The Industrial Expansion Team, Department of Industry, Millbank Tower, London SW1P 4QU
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 Position in Company _____
 Company _____
 Nature of Business _____
 Address _____

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BRITISH GAS

OTTO WOLFF AG COLOGNE/GERMANY The Otto Wolff Group in 1976 Iron and Steel Machinery and Equipment Engineering, Construction Technical know-how

Table with 5 columns: Company Name, Gross Turnover (1976, 1975), Personnel, Holding, %. Lists various subsidiaries and their financial data.

Consolidated turnover (Otto Wolff AG and 100% or majority holdings without abroad) 1976 DMm. 2,988 (1975 DMm. 2,637)

Subsidiaries and Affiliated Companies Abroad: Bruhn y Otto Wolf Ltda., EGO Engineering (Services) Ltd., Ferromontant, etc.

Delegates Overseas: Argentina, Chile, Colombia, Egypt, Iran, Kenya, Thailand, USSR.

Like the general economic development, 1976 was yet another year with heavy losses for the German steel industry after 1975 had generally been the weakest of all post-war years...

Condensed Balance Sheet of December 31, 1976. Columns: Assets, Liabilities, and Net Profit.

Otto Wolff AG, Zehnhausstrasse 2, D 5 Cologne 1. Tel. 221-20411. Telex 08 881 474. Telegrams OWXEN Cologne

LABOUR NEWS Firemen's officers may join strike

By Our Labour Staff. As the executive of the Fire Brigades Union decided yesterday to see if a meeting with the Prime Minister could provide any sign of a solution to the firemen's dispute...

Union leader urges flour price freeze

By Elinor Goodman, Consumer Affairs Correspondent. The leader of the bread deliverymen's union yesterday called for a freeze on flour prices...

New peace bid at Eaton Axles

By Our Labour Staff. Talks were held yesterday between Eaton Axles management and union officials to a bid to end the four-month dispute involving production workers at the Durham factory...

Leyland package in trouble

By Arthur Smith, Midlands Correspondent. Leyland Cars' package of testing at the attitude of the bargaining reform for the company's 20,000 white-collar workers has run into trouble...

Marketing staff cuts 'hit National Savings'

By David Churchill. The work of the National Savings movement is being severely restricted because of the Government's cut in marketing staff, it was claimed yesterday...

Raleigh men to stay out

By Our Midlands Correspondent. Production losses at T. I. Raleigh, Nottingham, will reach £1m. today. Shop stewards decided to prolong the nine-day pay strike indefinitely...

Vital Post Office talks to-day

By John Lloyd, Industrial Staff. A meeting today of the Post Office unions will be crucial in determining whether or not the proposed scheme for worker representation on the Post Office Board will come in on schedule next January 1...

Express newsmen accept pay deal

DAILY EXPRESS journalists voted overwhelmingly yesterday to accept a pay deal which gives them a total of 20.16 per cent.

The offer from Beaverbrook management was an all-round 54 Phase Two increase plus an average 17 per cent in exchange for flexibility and reductions in manning.

The present staff is 590 journalists in London, Manchester and Glasgow; although chapel officials believe there is some doubt about the number actually on the payroll.

Miners urged to reconsider bonus plan

By Our Labour Staff. Leaders of Nottinghamshire's 34,000 miners decided yesterday at their area council meeting to ask Britain's 360,000 pit men to think again about introducing an incentive scheme...

Marketing staff cuts 'hit National Savings'

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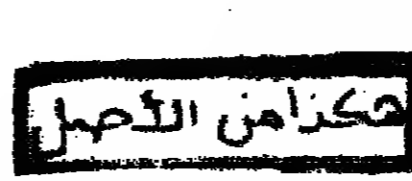
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APOLLO magazine advertisement. Edited by Denys Sutton. The world's leading magazine of Arts and Antiques. Published Monthly price £1.50. Annual Subscription £21.00 (inland). USA & Canada Air Assisted \$48. Apollo Magazine, Bracken House, 10 Cannon Street, London EC4P 4BY. Tel: 01-248 8000.



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There are many reasons why the Marina gives such good value. Or perhaps just one - because it's a Morris.

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Car featured Marina 1.8 HL 4-door £3314.61. Marina prices from £2380.95 including car tax, VAT and front seat belts. Delivery and number plates extra.

PARLIAMENT and POLITICS

Steel investment goes ahead, says Varley

BY IVOR OWEN, PARLIAMENTARY STAFF

A FREEZE on investment next year by the British Steel Corporation, currently losing money at the rate of \$300m a year, was ruled out by Mr. Eric Varley, Industry Secretary, in the Commons yesterday.

There is no question of stopping the BSC investment programme, he insisted, replying to anxious questions from both sides of the House about the action to be taken to deal with the Corporation's financial crisis.

Mr. Varley acknowledged the need for urgency in tackling the serious problems confronting the industry. Giving the assurance that there would be investment by BSC next year, he stressed that the level had still to be decided.

Callaghan backs PR Euro-vote in bid to help pact partner

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER, in an effort to support Mr. David Steel's position on the Lib-Lab pact, yesterday put his personal influence behind the Government's recommendation for a regional list system of proportional representation in the forthcoming direct elections to the European Parliament.

Mr. Callaghan told a special joint meeting of the Cabinet and Labour's national executive committee, called to discuss party tactics on the Common Market, that he intended to vote for PR. But he made no attempt to apply pressure on anti-Market members of the Cabinet.

Foot plans more control over EEC legislation

BY JOHN HUNT

THE GOVERNMENT hopes to bring forward proposals this session to give British MPs a greater say in the control over Common Market legislation.

Mr. Foot, Leader of the Commons, said last night. In particular, he said, he would like to see a new system of voting introduced to decide whether or not a particular EEC proposal should be adopted.

He went on to indicate that the Government was considering a system of Parliamentary control similar to that used in Denmark. Earlier, Sir John Edey (C. Bourne-mouth W), chairman of the Scrutiny Committee, had explained that Danish MPs can issue a mandate directing Ministers on the line they should take in Community negotiations.

Leyland share of sales 'serious' - Minister

BY IVOR OWEN, PARLIAMENTARY STAFF

BRITISH LEYLAND'S share of the car market was described as "extremely serious" by Mr. Eric Varley, Industry Secretary, in the Commons yesterday.

Mr. Varley said that the Leyland share of the car market was 33 per cent, which was "extremely serious" because it was "well above the level of competition".

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Silkin set to fight fishing proposals

BY IVOR OWEN

FISHING QUOTAS proposed by the EEC Commission for Community waters outside the coastal belts of member States were flatly rejected by Mr. John Silkin, Minister of Agriculture and Fisheries, in the Commons last night.

Mr. Silkin's uncompromising stance on the issue was clear, he said, as he rejected the Commission's proposals for a 50-mile exclusive economic zone and agreed that coastal States were best fitted to control fishing and conservation.

World Value of the Pound

BY JOHN HUNT

The table below gives the latest available rates of exchange for the pound against various currencies on November 23, 1976. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Table with columns for Place and Local Unit, Value of £ Sterling, and Place and Local Unit, Value of £ Sterling. Lists various international exchange rates.

Minister defends 10% pay policy

BY IVOR OWEN

A GOVERNMENT Minister large crowds of those who go to yesterday hit out at the lobby their MPs to claim exceptions "absurdity of the argument of exceptions" to the 10 per cent.

Referring to claims above 10 per cent, he said: "If we drift towards 15 per cent inflation will start to rise again and no one gains from that."

Mr. Robert Sheldon, Financial Secretary to the Treasury, said in a Commons written reply.

Spanish homes inquiry demand

BY IVOR OWEN

AN INVESTIGATION into the advertising of retirement homes in Spain in the Choice Magazine was demanded by Mr. Terry Walker (Lab. Kingswood) in the Commons yesterday.

He asked the Attorney General if he would refer to the Director of Public Prosecutions, with a view to prosecution for fraud, the activities and advertising in the U.K. of Spanish Gold Real Estate Ltd.

Kaufman eager to see airlines 'buy British'

BY IVOR OWEN

A DEMAND for the dismissal of Mr. Ross Staite, deputy chairman of British Airways, following reports that he had said the company might order new aircraft from the U.S. was rejected by Mr. Gerald Kaufman, Minister of State, Industry, in the Commons yesterday.

Mr. Kaufman was answering Mr. Doog Hoyle (Lab. Nelson and Colne) who claimed it was "very damaging" when British Airways announced that they were going to buy American.

Mr. Hoyle urged that Mr. Staite be sacked. Mrs. Helece Hayman (Lab. Welwyn and Hatfield) said that British Airways should be firmly told they had to "fly the flag".

Call to change contempt law

BY IVOR OWEN

A CHANGE in the law relating to contempt of court by the media was demanded by Mr. Hugh Fraser (C. Stafford and Stone) in the Commons yesterday.

He said that where retrials of criminal cases were ordered, an absurd situation had been reached.

Mr. Fraser cited recent cases of the Newcastle Journal and the Staffordshire Newsletter when the unfortunate editor was dragged before the court and told he was in contempt.

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Thomas Cook Bankers

Thomas Cook Bankers advertisement featuring text: "The accepted name for money. Worldwide." and "Thomas Cook Travellers Cheques". Includes a small table of exchange rates.

Advertisement for "HKSAM" (HKSAM) with Arabic text: "مكاتب الحاصل".

مكان من العمل

Entertainment Guide

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OPERA & BALLET

COLISEUM, Opera 19.15-21.45. English National Opera. 18th Nov. 7.30. 19th Nov. 8.00. 20th Nov. 8.00. Covent Garden. 20th Nov. 8.00. 21st Nov. 8.00. 22nd Nov. 8.00.

THEATRES

OPEN SPACE THEATRE. 01-527 5694. Tomorrow. Evening. 8.00. 20th Nov. 8.00. 21st Nov. 8.00. 22nd Nov. 8.00. 23rd Nov. 8.00.

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more consequential legislation. Coutts & Co. announce that their Base Rate for lending will be increased from 6% to 7% per annum for balances in their books on and after 29th November, 1977 and until further notice.

NatWest announces that with effect from Tuesday, 29th November, 1977, its Base Rate is increased from 6% to 7 1/2% per annum. The basic Deposit and Savings Account rates will be increased from 3% to 4% per annum.

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WOMAN GRADUATE (46) with up to £40,000 capital available, seeks Directorship or Partnership in a sound undertaking which would involve her in part-time participation in management.

AGENT Wanted to handle sales of a range of electronic Vibration Monitoring equipment in U.K. on commission basis.

WELL-ESTABLISHED UNIQUE HIGHLY SUCCESSFUL PRIVATE MIDLANDS ENGINEERING GROUP FOR SALE. Excellent bank record. Assets of £1.4m.

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STEEL FABRICATION CAPACITY Expanding Mechanical Engineering Company in Midlands with own products is interested in purchasing a fabrication company. In same general area.

COMPLETE CONTENTS OF OFFICES Mahogany and oak desks from £35 to £450. Four drawers steel filing cabinets from £25. Steel cupboards £75. Typewriters from £100.

ART GALLERIES ASHLEY GALLERY, 43 Old Bond St. The Rembrandt Connection. A selection of Rembrandt's work who were influenced by or who connected with him.

AGENTS Wanted to handle sales of a range of electronic Vibration Monitoring equipment in U.K. on commission basis.

EXPORT Consumer goods required for exporters world-wide, in particular for USA and Canada. Send detailed offers to: RAMAP & CO. LTD.

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ENERGY

Solution to storage problem sought

ONE of the problems of using greater at 235 degrees F. than alternative energy sources is that of the second at 105 degrees storage. Several solutions have been proposed, the latest being one based on reversible chemical reactions to provide heating, air conditioning and electricity. It is being developed at the Energy Research and Development Administration's (ERDA) Argonne National Laboratory in the U.S.

Hydrogen conversion and storage system (HYCOSOS) uses heat from an energy source or from the environment to shuttle hydrogen gas between storage tanks in a way that uses reversible chemical reactions to heat or cool a building, day or night. During the day, solar or fossil energy can be converted into heat and used for space heating while at the same time creating a store of chemical energy. At night, the system functions as a "chemical heat pump," drawing heat from the night air and using the heat to recover the stored chemical energy as heat for heating use.

The demonstration system uses four small interconnected tanks, each filled with either a lanthanum-nickel or a calcium energy can be converted into heat and used for space heating while at the same time creating a store of chemical energy. At night, the system functions as a "chemical heat pump," drawing heat from the night air and using the heat to recover the stored chemical energy as heat for heating use.

To provide air conditioning, the heat is absorbed from inside the building and applied to a tank of the second hydride to drive hydrogen into a tank containing the first metal where the heat of reaction is dissipated outside the building.

To generate electricity, three tanks containing the second metal can be used. Hydrogen, obtained by decomposition of hydride in one tank, can be used to push a piston, and the energy converted into electricity.

Somewhat similar concepts are embodied in work at Salford University to create mechanical/chemical batteries based on compounds such as lithium bromide which releases heat on contact with water or water vapour but will give up the absorbed water under low pressure.

More from Argonne National Laboratory, Argonne, Illinois, decomposition pressure is 60439, U.S.

METALWORKING

Adjustable drill stop

INDEXING DEPTH stops are fitted to most drilling machines, being carried out using the same set-up number of stops can be limiting factor.

This problem has been overcome with an adjustable drill stop designed by B. O. Morris, Brixton Road, Coventry CV3 4LG (0203 455014). A sleeve on the toolholder is set to give the required depth and secured by a split nut.

Grooves on the face of the sleeve remove any swarf from between the sleeve and the work piece or high face. Large windows prevent swarf from accumulating inside the sleeve.

The holders are available to fit machines with Morse tapers two to four, and will carry tools with Morse tapers one to four. These adjustable drill stops can also be used on turret lathes and similar machines.

DATA PROCESSING

Cashing in on the market

HUGIN, the cash register company which is part of the huge Swedish Kooperativa Forbundet, has just revealed that it has achieved a £3.5m. turnover in the U.K., claiming that it now has 12 per cent of the installed base and that in 1977 will have taken 28 per cent of the available new business.

On this basis European chief executive David Pope believes the U.K. company could soon be the number two position in the U.K. cash register business. World-wide the Hugin group turns over about £50m. in both electromechanical/manual and electronic systems and to January will be celebrating its golden jubilee in the cash register industry.

From 1950 to 1971 the equipment was sold through an agency owned by the Co-operative Wholesale Society, but the U.K. company is now a direct subsidiary of the Swedish parent.

However, since 1950 "Co-ops" throughout the country have used Hugin machines exclusively, giving rise in some 20 service locations which are now of great value to Hugin's sales effort.

But today the "Co-op" business is only a third of the total. Primary market targets are food and department stores with 20 to 150 branches; the "mid-multiples." But large chains, if they can be uncoupled from NCR, Gross and other majors, are being taken. The customer list now includes Sainsbury, Fine Fare, Keymarkets, Woolworth and Jackson's (part of Burton)—the last three for point-of-sale electronic devices.

The Jackson's contract, providing Hugin with £90,000 of leasing revenue annually is saving the

HANDLING

Improved lifters

MID-RANGE models of Ransomes L series electric lift trucks are being given power-assisted steering and bigger motors in changes which improve work cycle times and reduce operator fatigue.

The 1535M, 140M and 150M, with capacities in the range 1,750-2,500 kg (3,500-5,000 lbs) have their lifting speeds increased by an average of 90 per cent and better lowering speeds. Travelling speeds are kept much the same.

Power-assisted steering goes hand in hand with Solertronic (solid state) control of the hydraulic functions to give the operator better steering control and make tilting and the operation of attachments more efficient and quieter. A new type of overhead guard is provided for better visibility, especially when high stacking.

The trucks also work on a 72-volt system to cope with the faster lift speeds and power-assisted steering. Excess battery drain has been avoided by using the solid state controllers for hydraulic pump as well as tractor motors, and improved thermal efficiency obtained from monoblock construction.

Ransomes Sims and Jeffries, Ipswich (0478) 72222.

ELECTRONICS

Matsushita unveils video-disc

MATSUSHITA Electric has developed a new home video disc player which can provide 1- or 2-hour playback in stereo and colour which is claimed to be different from and superior to other existing video disc technology.

The three existing video disc technologies are the TED (developed by Teldec), the Philips (developed by Philips) and the RCA and Philips. The RCA and Teldec processes are being introduced into Japan respectively (the latter in association with General Corporation of America).

Matsushita's moves in the video disc field have been an ambitious one. The company has close links in other fields with Philips but has opted to go it alone in the video disc field, evidently confident of the merits of its own new technology.

YOKO SHIRATA

National introduces video recorders

NATIONAL Panasonic has entered the 3-inch tape video market with the introduction of its Video Traxex 77 of its NV-9000 U-View video cassette recorder range in four models. These include standard and high performance recorders, editing recorder and editing controller.

Together, these provide a complete medium for interlocking information for dubbing or video editing. A number of features improve the quality of dub and editing, and make their execution easy and quick. A dubbing selector switch provides better colour quality for dubbing or video editing by allowing the APC to be bypassed when conditions call for it.

National Panasonic (U.K.), 107 Wilby Road, Slough, Bucks SL1 3DR, Slough 34922.

QUALITY CONTROL

Simple test for flaws

SACK Engineering Company has delivered a wave form grinding machine to Guest Keen Williams and oscillating grinding wheels cut a shallow wave-shaped pattern in the steel. Inspection of the wave form will reveal defects, seams or laps in the results, the greatest error taken as the resolution.

Sack Engineering of Walsley, West Midlands, and was completed one month earlier than Düsseldorf, supplier of rolling mills and processing lines to the world's metal producing and manufacturing industries. It is a technique of detecting flaws and cracks in steel billets, which are fed through revolving and oscillating grinding wheels to cut a shallow wave-shaped pattern in the steel. Inspection of the wave form will reveal defects, seams or laps in the results, the greatest error taken as the resolution.

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مكرامن الاحمر

The Management Page

EDITED BY CHRISTOPHER LORENZ

صكنا من العمل

As researchers from Holland were looking at Britain's worker co-operatives, Robert Oakeshott visited an unusual but successful enterprise in Utrecht

Redoubled Dutch interest in co-ops

TWO authoritative research projects currently in progress in the Netherlands are due to hold a joint meeting on the subject of worker co-operatives in the New Year. There is evidence that in Holland, as in the U.K.—and indeed elsewhere in the OECD world—there has been a sudden renewal of interest in workers' co-ops. In the other hand there is an imbalance, if anything more so in Holland than in the U.K., between the level of current interest and the state of activity. Moreover, the history of enterprises of kind is no more encouraging in Holland than it has generally been, with a few distinguished exceptions, elsewhere. Thus this current interest should best be understood as an interest in the revival of workers' co-ops, if not in the structure of help to problems of relationships between the enterprise and its owners and some other problems as well.

The two current study projects, the one which is being conducted by the joint research institutions of the Dutch trade union confederations is perhaps more surprising, at least in the context of traditional U.K. union attitudes. The two main leaders of the study, Mr. van Klaveren and Mr. van der Graaf, are both sociologists respectively, and visited the U.K. in the summer of 1976 to study the 'Co-operative Alliance' and 'Commonwealth' co-op enterprises in the U.K. and discussing among other things last year's Common Ownership Act. They expect their study will be finished

and the report available, early in the New Year.

Somewhat in parallel with the union study is an official research programme into workers' co-ops to which the last Dutch Government committed itself before the general elections earlier this year. In this case the initiative can be traced back to a Christian Democrat member of the last administration—which neatly illustrates the fact that interest in these kinds of enterprise now extends across most of the Dutch political spectrum.

On the other hand, Dutch officials felt so uncertain about their ability to undertake the research efficiently, that they eventually asked the Federation of Workers' Productive Co-operative Societies—the Association van Bedrijven op Co-operative Groslag (for the A.B.C. for short)—to do the job on the Government's behalf and with Government money. And that explains why the President of the A.B.C., Mr. C. L. Proville, was also in this country, with much the same assignments as those two trade union researchers, earlier this month.

Revival

The Labour Party meeting on workers' co-ops will be held in Utrecht and will be addressed among others by Mr. Proville who is chief executive of a successful and well established co-op of consulting engineers there. Even if the meeting has to be put off again, the Labour Party now seems committed to a serious discussion of a possible role for workers' co-ops in the Dutch economy.

Other evidence of renewed interest in this subject comes from a revival in academic attention. A learned study of the experience of Dutch workers' co-ops between 1901 and 1958 was published last year—this shows, in effect, that they were brave but largely unsuccessful.

Meanwhile two academics at the high powered Institute of Social Studies in The Hague are busy producing a book length study of the Mondragon co-operatives in the Basque Provinces of Spain. Evidence of more direct, and more practical interest comes from the enquiries which have been reaching Mr. Proville in Utrecht, at an average rate of roughly one each week, over the last few years. Some of these originate from existing conventional enterprises, where either the shop floor or the owners and managers, or both, express an interest in the possibility of conversion into co-ops. Others come from individuals or groups interested in the possibility of setting up co-ops from scratch.

But there is no disputing the imbalance between the level of interest and the volume of actual workers' co-op activity. The co-op of consulting engineers of which Mr. Proville is chief executive—Co-op Vereniging Ingenieursbureau van Steenis—has roughly 100 people on its payroll and was founded as long ago as 1945.

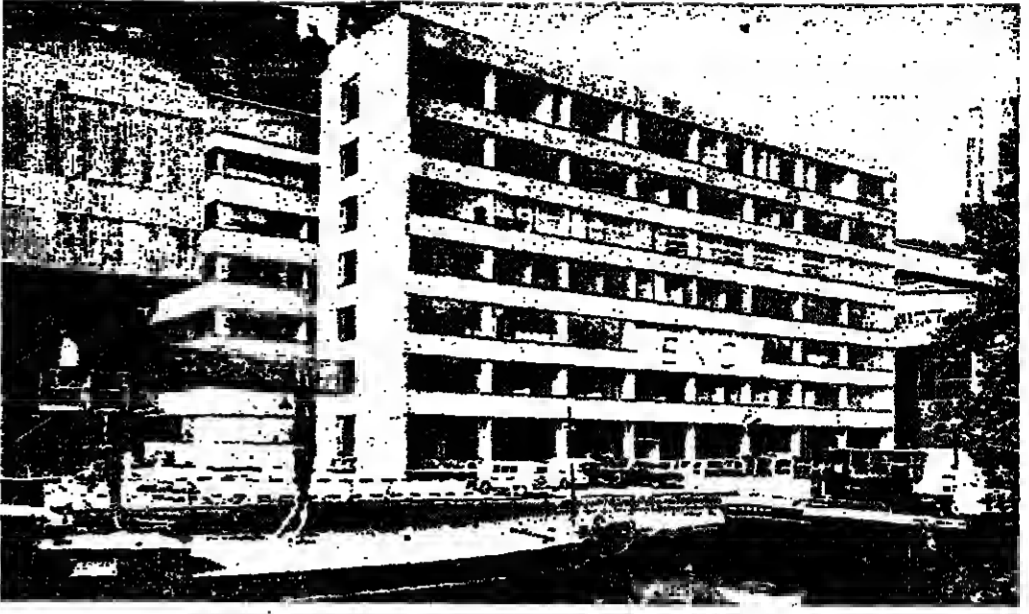
But there are not more than a dozen or so other enterprises affiliated to the A.B.C. It is true that there may be as many as 40 or 50 others, of a workers' co-op or workers' co-op type character, which for one reason

or another are not so affiliated. All the same, with a few exceptions, these enterprises all fall into the small sized category. The affiliated co-ops together had a turnover of little more than £3m. and a total payroll of only 1,400.

The one really substantial concern is Co-op Bouwbedrijf H. Moes b.v., a building enterprise at Zwolle in central Holland which has a current payroll of approximately 900 and a 1976 turnover of Fls.95m. (roughly £20m.). About 70 per cent of its work consists of local authority housebuilding with the balance accounted for mainly by industrial and commercial projects.

It was set up, as a conventional family business, by Mr. H. Moes as long ago as 1932. To-day it is almost certainly among the 25 largest building operations in Holland. Its 1976 profits, post-tax and, of course, post financial charges, were Fls.807,000. The Dutch building industry, like its U.K. counterpart, has been struggling with tough market conditions in the recent past. According to Mr. van der Graaf, managing director, its 1976 profits compare favourably with its competitors'.

It was the prospective retirement of Mr. Moes and the absence of any family candidate to take over as chairman which started the company thinking about its future in the early 1970s. Various possibilities were examined including a straightforward sale to outside investors. But there was oppo-



One of the Van Steenis co-operative's projects, the office and laboratory for a Maastricht cement works

Interest free

It was eventually agreed that Mr. Moes should sell the business to a newly formed co-op for Fls.4.25m. (roughly £1m.) and the sale was effected on the day of his retirement, March 19, 1976. It was further agreed that Mr. Moes would lend Fls.1m. of the purchase price to the co-op on an interest free basis for five years. The rest was raised by bank borrowing.

Of greater long term significance, it was also decided that the new co-op would be collectively owned by its workmen—members—with no individual ownership shares. The logic behind that decision was simple enough. With an ownership structure of this kind the co-op is fully protected against de-capitalisation when member owners leave or retire. For the same reason it is also protected from any future liability to capital transfer tax.

In these respects its structure is very similar to that of the Scott Bader Commonwealth—

the common ownership company which manufactures chemicals outside Northampton.

Lest this Dutch conversion be thought of as some sort of model, it should be clear that the differences, compared with Scott Bader, are at least as important as the similarities. The key one is that whereas Scott Bader was basically handed over by its previous owner as a gift, the Dutch enterprise was sold. It is easy to see that the retiring owners of family businesses will be more ready to consider a co-op future for their enterprises if they are not called upon to give them away but can make a fairly normal sale.

Co-op Bouwbedrijf H. Moes b.v. has been operating in its present form for little more than 18 months. Mr. van der Graaf is properly cautious about drawing conclusions after so short a period and argues that more time is needed for the enterprise to settle down in its

new structure. But he is far from pessimistic. Relations with the unions are evidently good. He seems relatively unmoved by recent decisions on the part of the two Dutch builders' federations to eject the co-op from their ranks. And he projects a modest increase in profits over the next couple of years. These, he insists, remain of crucial importance in a co-op set up as a means for ensuring the long term survival and prosperity of the enterprise.

If only because of its size, Co-op Bouwbedrijf H. Moes b.v. is obviously high on the study agenda of the two research projects currently under way in Holland. The co-op's most controversial feature is probably its totally collectivised ownership. Some would argue that while such an arrangement protects the enterprise against de-capitalisation and capital transfer tax it also excludes the powerful motivation which even partial individual ownership can bring. In any case it is a fair bet that the advantages and disadvantages of alternative ownership structures will figure prominently in the findings of the two research studies.

But will anything of any real consequence happen either as a result of the two studies or because of the wider revival of interest which they reflect? The feeling in the Hague is that some Government action in favour of industrial co-ops is probable at least in the medium term. But the Dutch are very conscious of the need for further experiment in this whole area. Any government support is likely to be cautious and limited at least in the first instance. And it might well be linked with provisions which ensure that co-operative experiments must accept a systematic official monitoring of their fortunes.

Possible benefits of even more financial statistics

PETER RIDDELL

COULD THE large tax increases of spring 1974 have imposed—worsening the existing corporate liquidity crisis—if better and more up-to-date financial information had been available? Would improvements to statistics on industrial and commercial companies, leading not only to better government industrial policy, but also to the collection of even more figures from already hard-pressed companies make little true underlying position for the future to performance, if period covered. More detailed inquiries by CBI staff showed that when liquidity was compared with turnover, the picture was not so impressive and there were several worrying features about the net liquidity position—in particular the growth in bank borrowing and the position was deteriorating.

Liquidity worsening

None of this showed up in the official figures before the Budget. However, the worsening in the liquidity position of industry, so that Mr. Denis, the Chancellor, was able to take the view that companies rises, led to an abrupt about-turn had been doing turn by the Government in the last year November, 1974, with the intro-

duction of the major stock appreciation relief.

The question of whether this could have been avoided is more difficult to answer, but the official statistics have since been improved—for example, with the Department of Industry sample survey of company liquidity. The CBI itself has built a survey of company liquidity into its regular Industrial Trends inquiry. This is intended both to show the recent position and the prospects.

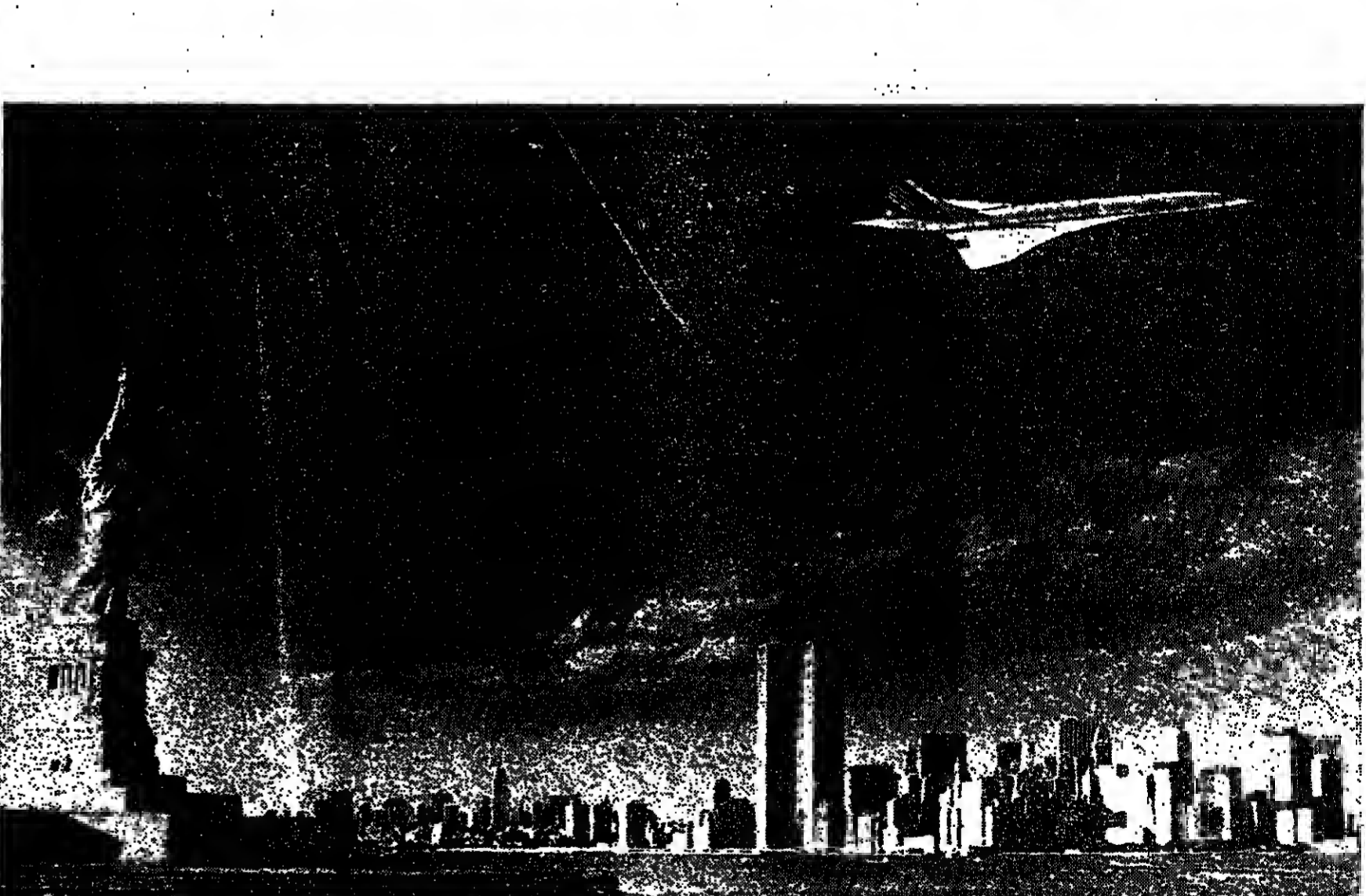
However, more general weaknesses in the existing data of manufacturing companies were identified in a National Economic Development Office paper to the conference. This argued that the present statistics were neither sufficiently timely nor detailed enough and that this was bound "to have a detrimental effect on national policy-making and the work of the industrial strategy."

The paper suggested that the best way of improving the position was to change company accounts "to reflect the needs of analytical users of accounts as well as to provide better information for the traditional user, the shareholder." In particular, NEDDO maintained that the present company law requirements on disclosure of turnover and profitability of each class of business were only of limited value—they should be improved with the disaggregation of all key financial data (turnover, profit, value added, capital employed, etc.), both between product groups, and between U.K. and overseas activities.

In addition, NEDDO called for the inclusion of a statement of value added, as is increasingly happening, a move towards quarterly statements, and for the consideration of common accounting periods for all companies. It was hoped that this in turn would lead to improved national statistics.

The paper argued that such changes "would make for a much better and wider understanding of the true financial position of industry," helping Government, trade unions, sector working parties and financial institutions. It is certainly fair to argue that if damaging U-turns such as the one in 1974 can be avoided then more extensive financial statistics will have served a purpose. But they are not going to make more than a very modest contribution to helping sort out the problems of British industry—in the industrial strategy or elsewhere—while the costs and time involved for the companies providing the figures should not be ignored.

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Mergers: why Governments are thinking again

BY A. H. HERMANN, LEGAL CORRESPONDENT

Investment funds

THE ORAL evidence of TUC witnesses to the Wilson Committee on the working of financial institutions, which is to produce an interim report on the adequacy of the financial resources made available to trade and industry, contains two particularly interesting passages. One of these concerns the attitude of the TUC in the proper role of the institutions in the financing of capital investment, the other concerns the attitude of Sir Harold Wilson himself to some of the main objects of the inquiry.

The TUC dealt at length in its written evidence, quite understandably and properly, with the need to step up the pace of investment in U.K. manufacturing industry during the next decade, when we shall be enjoying the temporary benefit of North Sea oil, and to make sure that the institutions supplied the additional finance that would be needed for this purpose. While admitting that the rate of return on investment was an acceptable means of distinguishing between alternative investment opportunities at the level of the individual company, however, it did not accept that this should be a supreme guiding light of policy at the national level. It suggested instead various criteria which the institutions should observe in supporting investment, criteria which it thought socially desirable for directing the decline in the U.K. manufacturing sector.

Investment

When questioned on these points, however, the TUC representatives did not give an entirely clear answer. It was put to them that Government could and did regularly interfere in the free working of the market in order to reconcile it with what was considered to be the most desirable course for the economy as a whole. In such a situation, why should the financial institutions not continue to invest on commercial grounds, as at present? The TUC reply was something to do with the difference between short-term and long-term considerations: it was to enable the institutions to take greater risks without harming their prior obligations to policy-holders

Competition under review

WHEN Britain adopted a formal system of merger control 12 years ago, it was the first West European country to do so and the approach adopted was drawn not from U.S. practice but from the earlier U.K. monopolies legislation—namely, that the creation or presence of a monopoly or dominant market power was not in itself good or bad but depended upon the circumstances of each case. The basic nature of U.K. merger control was thus established at the outset and has become even more evident in practice. Relatively few mergers have been singled out for scrutiny by the Monopolies Commission, and even fewer have been held by the Commission to be against the public interest.

There could well be a case for accepting an increase in concentration in some sectors on the grounds that competitiveness in international markets may thereby be improved. Indeed, this is a well-known characteristic of the French authorities' approach to mergers. In any case, concentration seems to be growing in most industrialised countries as a consequence of the increased specialisation which free trade has encouraged. Nevertheless, what has been amiss about competition policy is that it has never been given primacy. The criteria governing references to the Monopolies Commission include regional policy and employment policy considerations as well as the need to maintain and promote effective competition and the interests of consumers. As a result, the Commission has inevitably been drawn into trying to assess the efficiency of different firms and the capability of management, matters which—like all government bodies—it is singularly ill-equipped to judge.

Permissive

In the last few years, however, there have been growing doubts as to whether merger control has not been too permissive. Many studies have not only shown that the level of concentration in many British industries is rather higher than in other comparable countries abroad but that British companies have also tended to spend relatively more on acquiring other firms. It also appears that there are relatively fewer smaller and medium-sized companies in Britain than in Germany, France or Italy, although this could be because the conditions for starting and building up a new firm are somewhat less favourable here. Above all, several studies have recently suggested that many mergers fail to lead to an increase in profitability or have disappointed the hopes of their instigators in other respects.

The inter-departmental review of monopolies and merger policy, together with other aspects of competition policy which Mr. Roy Hattersley, the Prices and Consumer Protection Secretary, announced yesterday is thus to be welcomed, even though it is only four years since the last major review of competition policy reached the statute book. The review seems to have been prompted, however, not only by the desire to establish whether competition policy is founded upon

THE ANNOUNCEMENT made by the British Government yesterday indicates its intention to tighten up merger controls and to coordinate them at a European level.

Doubts about the value of a further concentration of industry by means of larger mergers, particularly of the conglomerate type, have become much more insistent in Europe during the past 18 months. Both the French and German Governments here made legislative moves which could well be the reflection of a new, stiffer anti-trust policy for Europe.

With the exception of Italy, all EEC states seem now to be agreed that it is desirable to exercise roughly that degree of merger control which is foreseen in the revised draft of the EEC merger control regulation. This does not mean that the Commission will really succeed in reviving its pet project. If not dead, it has certainly not been showing any signs of life for a long time. Though member Governments think that merger control may be necessary, for the time being at least, they are more likely to keep this sensitive area under national control.

Merger legislation adopted this year in France enables—but does not oblige—the authorities to curb mergers resulting in a large market share.

Horizontal, vertical, and conglomerate mergers as well as equivalent management and profit-sharing agreements are all covered. But there is little doubt that the Government will use its new powers sparingly, having made it clear that it intends to continue to promote the restructuring of French industry for social and technological reasons and to improve its competitiveness on international markets.

A major revision of the Competition Act announced by the Bonn Government would provide the Federal Cartel Office with a better legal handle to control conglomerate mergers—particularly where very large companies penetrate industries consisting of small and middle-size enterprises—and in control abuses of market power by dominant enterprises. The final draft of the Bill is expected to be ready by the spring and the new, stricter rules could be in force by the next summer. They would apply to projects initiated but not completed, washing out even favourable court decisions if they have not been given legal force because of a pending appeal.

The most important change proposed in the draft bill now being circulated by the Ministry of Economics would remove the difficulty the Cartel Office now has if it wishes to ban mergers which do not result in an increased market share, but could increase the market power of

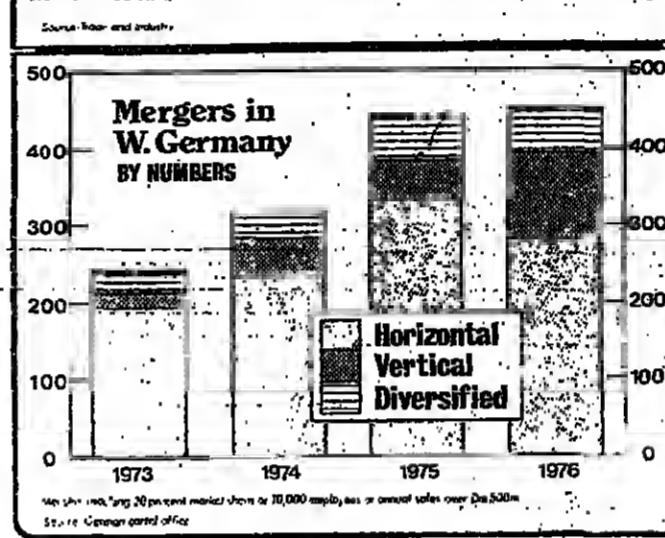
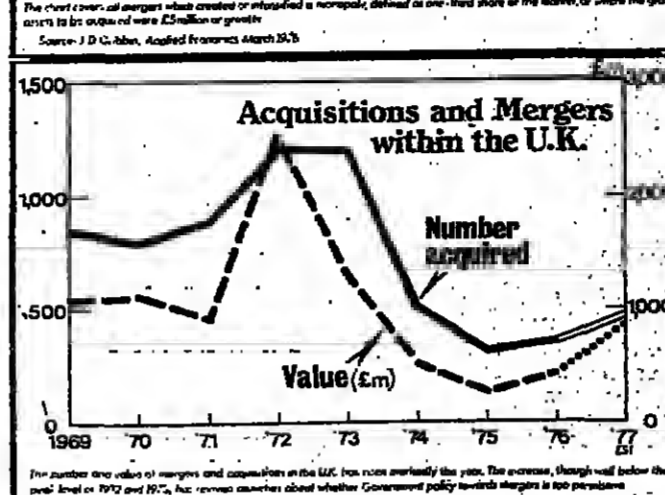
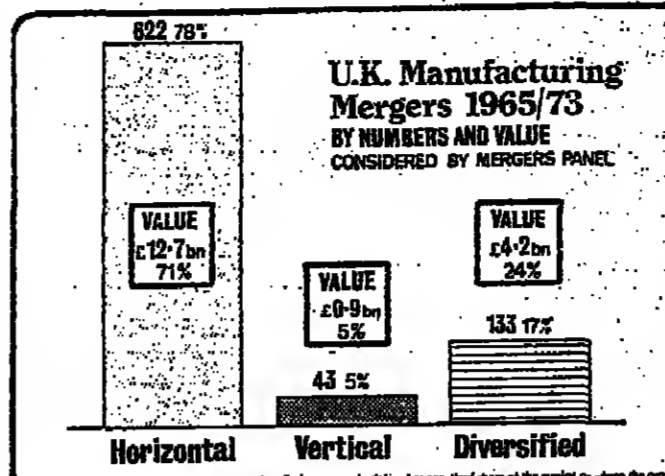
the merged enterprises because they combine the market share of one with the financial, commercial, and technological resources of the other.

It is proposed that, unless an overriding improvement of conditions of competition could be proved, the Cartel Office should be obliged to prohibit the acquisition by a company with a yearly turnover of £500m. (DM2bn.) or more of another with a share of 5 per cent, or more in a market where small and middle-size enterprises account for at least two-thirds of business. The same strict prohibition would apply to the acquisition by a £500m. company of another which is dominant in at least one important market.

The operation of the proposed new rule can be so well illustrated by the GKN/Sachs case—now pending before the Federal Supreme Court—that it is tempting to call it the "GKN/Sachs law." The Federal Cartel Office based its prohibition of this merger on the argument that GKN would further strengthen Sachs's paramount position on the German clutch market by providing it with additional financial power. The Berlin Appeal Court, however, was not convinced that this would really happen and overruled the prohibition. The change in the law now proposed would create a legal presumption that such additional financial backing would increase market dominance, and the Cartel Office would no longer need to prove its case. Indeed, it would be obliged to ban the merger unless the parties concerned could prove that in some other way it would enhance competition on the clutch market. The Federal Supreme Court has fixed the hearing of the case for February. If matters take their normal course it should be decided before the new Bill reaches the Statute book. If not, the burden of proof would be shifted from the Cartel Office to the two companies and their position in the case would deteriorate substantially.

Other provisions of the draft bill would forbid merger of companies with an aggregate yearly turnover of DM1.1bn. if at least two of the companies merging have reached a turnover of DM1.1bn. each. Also the present exemption from merger controls of the acquisition of small companies with a turnover under DM1.5m. will no longer apply if the acquiring company has a turnover over DM1m. Only the acquisition of very small companies with an annual turnover of less than DM1.2m. would remain exempt.

The Bonn Government has shelved a more radical proposal of the German Monopolies Commission that large monopolistic enterprises should be broken up but has accepted its argument that bigness does



not necessarily lead to greater economic efficiency. Though the classic method employed in Germany for dealing with mergers—monopolies requires frequent legislation—leading to periodic replays of a drama in which all sorts of dogmas are propounded, the final result is not very different from that of the more pragmatic British approach. The possible adverse effects of conglomerate mergers, with which Germany is now concerned, were very much in the minds of British ministers in 1973, at the time when Germany introduced its first merger control. But neither country has really done very much since to stop mergers. The enormous legal machinery provided for this purpose in Germany re-

sulted in the prohibition of precisely four mergers in 1973 to 1975, of a total of 822 notified under the Competition Act.

On the contrary, this period has seen some of the most spectacular mergers in the German steel industry. The role of the German Government (against the opposition of both the Cartel Office and of the Monopolies Commission) in the merger between two energy concerns, Veba and Gelsenberg, was only the culmination of the process of concentration in the German power industry in the course of which 41 controllable acquisitions were effected. In German industry at large, 90 acquisitions, almost one-sixth of which were open to review by the

Cartel Office, were made by effective control of concern enterprises which in one way or another were controlled by governmental or other public authorities in Germany. This political background at the European level, the leads greater urgency to European Commission never, prohibition of conglomerate merger control powers which is greater danger to the small, has under the European Coal and Steel Treaty, and with one single exception, has rubber-stamped all merger projects submitted by the steel industry. It reached for the power to control mergers in other sectors of industry in its Continental decision in 1973, but never made use of the blessing then obtained from the European Court.

On the whole, the years from 1973 to 1975 have been characterised by efforts to concentrate European industrial competition on the world market, particularly from U.S. medium-term chain and Japanese companies. As the consequences of recession became more felt the same process of industrial concentration was continued in 1976 by a series of rescue mergers. The need to be seen to be saving jobs caused the Bonn Government to over-ride the Cartel Office objections to several important merger projects. In the same way as it was a reaction to nationalisation—direct or indirect—in the U.K. in fact, the only trust-busting exercise of the German Cartel Office which has received Government support and encouragement was Sachs by GKN—possibly because the Cartel Office's wish for a judicial decision on conglomerate mergers coincided with the very bad press given by the Sachs brothers as Swiss re-

dent. Will this soft policy towards mergers continue or do the new legislative developments in France and Germany herald a real change towards tougher enforcement of anti-trust laws? This is of particular interest in view of the current concern in Britain about the untapped potential of small firms to expand quickly as new opportunities open in the rapidly changing world market and monetary situation. The three leading British political parties are probably reaching the conclusion that with the approaching elections it would be unwise to ignore the small businesses or to antagonise their proprietors and employees. For the same reason, German Ministers probably best translated as "measures for small businesses" has long been an important feature of German party politics. In France things are more complicated: as long as the Government depends on middle-class votes it must show concern for the survival of small and medium-size businesses. But the Communist Party can afford to oppose a great results.

MEN AND MATTERS

Highland laird's defence...

Stung by what the Highland Islands Development Board has described as "the unacceptable face of feudalism" and by the Scottish Nationalist Party's call to break up large estates, including Balmoral, the Lairds of Scotland rallied to their own defence at Edinburgh's North British Hotel yesterday.

The Duke of Atholl, who admitted to running a castle, 130,000 acres and an overdraft, spearheaded the counter attack as chairman of the Scottish Landowners' Federation. He has turned his own family seat into the leading attraction of the Scottish states' homes league and put up a spirited case for private landlords on practical grounds as being more efficient and responsive than the State.

He did not take kindly however to suggestions from some members of the press that he only had so much land because his ancestors had stolen it. "I did not buy my land personally," he replied, "but someone in the family paid for it in the past."

As a reply it lacked the candour once shown by Lord Home who, in the days when his position as 14th Earl was the object of some derision from the 14th Mr. Wilson, cheerfully admitted that his predecessors had probably been border cattle rustlers.

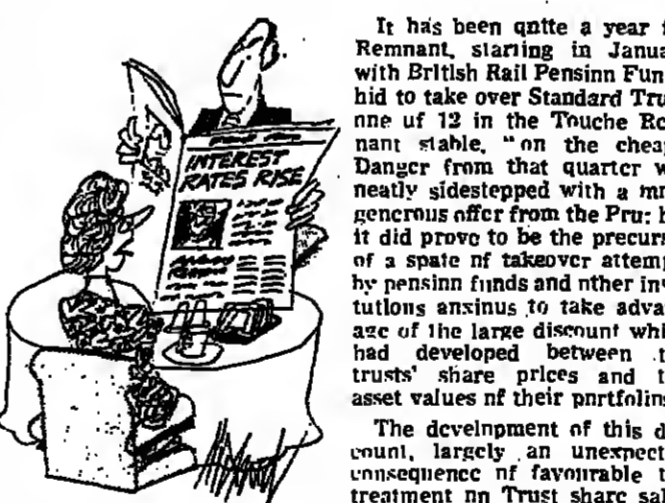
... and island co-ops

Jo Grimond, dozen of the Liberals, takes time off this morning from more immediate political affairs to report on a visit to the Basque country. He will tell a small and select seminar, close by the Commons, of his enthusiasm for the Mondragon co-operative movement, which he studied for three days last month.

Indeed, Grimond is spreading the news much farther than Westminster. He has already told his constituents in the Shetlands that they should "copy the central lesson" of the 60 Basque co-operatives. Writing in the Shetland Times, he has called them an "eye-opener" and argues that they have eliminated many of the stresses which lead to incompetence, frustration, over-manning and strikes such as bedevil Britain. "If taking a leaf out of the Basque book can manage all that, the Shetlanders will be on to a good thing."

I caught Grimond last night, literally almost breathless from speaking in the House. He reiterated his enthusiasm for Mondragon—there's a good deal to learn from them—but seemed reluctant to steal the thunder of a report just being put out on the subject by a team of fellow politicians. The seminar he will be addressing has been set up by the Anglo-German Foundation for the Study of Industrial Society. Several other MPs, not all converts to the cause, will be there.

Lordly trusts Considering that they manage assets in excess of £8bn, Britain's Investment Trust com-



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panies keep a remarkably low profile. This is largely because like lawyers and accountants, the 250 or so individual trusts are not allowed to advertise. The Association of Trust Companies, their trade association, has however been stepping up its own advertising to build up the corporate image of men who see themselves as dedicated practitioners of the art of portfolio management.

Yesterday the association chose Lord Remnant, 47-year-old managing director of Touche Remnant, as its new chairman. In this capacity he presided over the industry's annual dinner where, traditionally, the London brethren entertain their canny Scots colleagues. Sir Harold Wilson, commissaire of Prime Ministers and City inquirer extra-ordinary, was this year's guest of honour. One of Remnant's duties as chairman of the association will be to sit on the Wilson Committee into the workings of the City and will also sit on the takeover panel in this capacity as well.

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INSURANCE

The expected improvement in underwriting results materialised last year and has continued into 1977 so far. Better claims experience has helped ease underlying problems such as inflation and currency fluctuations.

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Eric Short

YEAR saw a partial recovery in the worldwide underwriting results of British insurance companies, an improvement that had been fore-
cast in the previous year. Overall loss on all business, including marine, aviation and port, of £148m. was a loss of £175m. in 1975. The 1976 loss is measured as a percentage of premiums, improvement shows up even in 1975. Premiums rose by 30 per cent. from £4.13bn. to £5.37bn. making an underwriting loss last year of 2.7 per cent. of premiums, against 4.2 per cent. in 1975. A recovery was held back, however, because U.K. underwriting results on fire and accident business, normally a profit-account, went sharply into loss as a result of two events, the first was the severe storms that hit the country during the very first week-

end of the year, causing extensive damage at a cost of £40m. to insurers.
But this cost was dwarfed by the damage resulting from the long hot dry summer of 1976. The weather has been a boon to the holidaymakers, but the extensive damage caused by subsidence, as the soil dried out, was a natural disaster for U.K. insurance companies, costing them £60m.—effectively the largest claim experienced in this country by the U.K. insurance industry.
The net result was that the U.K. fire and accident account recorded a loss of £39m., a swing of £80m. from the previous year. These poor figures were the major reason why the worldwide fire and accident account recorded a loss in 1976 of £102m.—four times the 1975 figure. The results for this business in the rest of the world account were also poor, with a loss of £19m. compared with £3m. in 1975. North West Europe was also affected by the January storms. The U.S. account, however, was only slightly worse on the year.

Solely
Last year's recovery therefore came solely from a tremendous improvement in motor underwriting results—normally the problem account. Here the overall underwriting loss was cut to £44m., 2.2 per cent. of premiums, from £150m., 9.8 per cent. of premiums. This recovery more than offset the deterioration in fire and accident business.
All territories showed a welcome improvement, with the

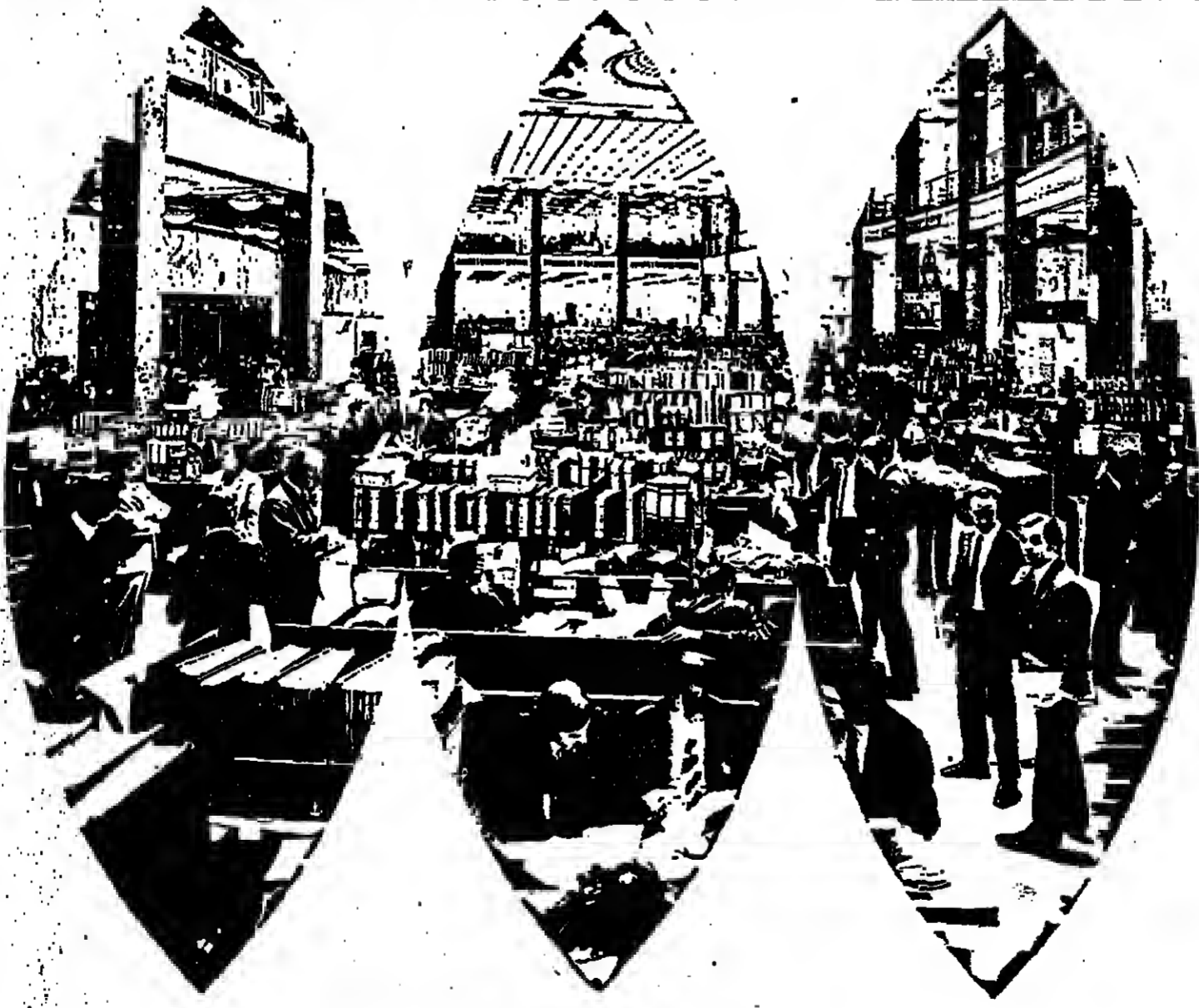
recovery in the U.S. and the Rest of the World being little short of dramatic. U.S. motor underwriting losses were reduced by nearly two-thirds to £27.6m. from £74.7m. The corrective action taken during the previous two years by U.K. insurance companies bore fruit in 1976.
The major companies operating in the U.S.—Commercial Union (CU), Royal and General Accident (GA)—have all embarked on a policy of pruning out unprofitable accounts and agencies and had secured substantial rate increases from more sympathetic authorities. But such actions take several months before the effects work their way through the accounts.
Motor business in the rest of the world last year showed an even greater upswing, with underwriting losses of only £18m. against £70.5m. in 1975. Business in Australia and Canada more or less broke even; the corrective actions having been taken much earlier in these territories than in the U.S. The losses occurred mainly in Western Europe, where insurers are still having trouble from the authorities in securing the necessary premium rate increases to keep the business viable.

The U.K. motor account returned to the black with a small profit of £1.7m., following a loss of £4.6m. in 1975. Claim costs continued to rise during the year, with the cost of spare parts rising by 17 per cent., labour costs by 12 per cent., and car prices by 20 per cent. However, U.K. insurers were able to secure the required rate increases and were able to return to yearly rate revisions after a

	1976		1975		Increase %	
WORLDWIDE GENERAL PREMIUMS						
Fire and accident (non-motor)	3,484	2,687	29.7			
Motor	2,024	1,546	30.9			
Marine, aviation and transport	517	408	26.7			
TOTAL	6,025	4,641	29.8			
WORLDWIDE UNDERWRITING RESULTS						
	1976	Profit/loss	% of premiums	1975	Profit/loss	% of premiums
Fire and accident (non-motor)	3,342	-102.4	-3.1	2,597	-25.2	-1.0
Motor	2,019	-43.9	-2.2	1,533	-149.8	-9.8
TOTAL	5,361	-146.3	-2.7	4,130	-175.0	-4.2
U.K. UNDERWRITING						
Fire and accident (non-motor)	1,198	-39.1	-3.3	970	+20.3	+2.1
Motor	748	+1.7	+0.2	623	-4.6	-0.7
TOTAL	1,946	-37.4	-1.9	1,593	+15.7	+1.0
U.S. UNDERWRITING						
Fire and accident (non-motor)	776	-44.3	-5.7	594	-42.8	-7.3
Motor	445	-27.6	-6.2	320	-74.7	-23.3
TOTAL	1,221	-71.9	-5.9	904	-117.5	-13.0
REST OF WORLD UNDERWRITING						
Fire and accident (non-motor)	1,368	-19.0	-1.4	1,043	-2.7	-0.3
Motor	826	-18.0	-2.2	589	-70.5	-12.0
TOTAL	2,194	-37.0	-1.7	1,632	-73.2	-4.5

winter and the return of the normal English summer. With the relaxation of speed limits and less emphasis on energy conservation, motor claims have returned to their levels prior to the energy crisis. GA, the leading U.K. motor insurer, has reported adverse motor experience.
Investment income from general insurance business continued to remain buoyant. The record yields obtainable on U.K. gilt-edged securities in the latter part of the year was a major factor in boosting income. In addition, most companies had a full year's return on the additional capital raised by the rights issues made in 1975. Overall investment income jumped by a third to £631m., more than sufficient to offset underwriting losses. Last year there was a net surplus on general insurance business of £485m., compared with £290m. in the previous year.
Despite this improved performance, solvency margins slipped a little in 1976. The total of general insurance funds, shareholders' capital and free reserves increased to £8.3bn. from £6.5bn., but expressed as a percentage of premium income they represented only 138 per cent. of such income, against 140 per cent. in 1975. Thus the average solvency margin fell by two points to 98 per cent. Although this level is much higher than that required by the authorities, the major insurers are still seeking to strengthen their asset base to cope with inflation.
The reason is easy to see.

Inflation still remains one of the big problems facing insurers. Premium income increased by 30 per cent. in 1976 and although some of this rise came from new business, quite a lot arose simply from inflation. Insurers are still finding that internal growth cannot keep pace with such rises and are having to reinforce their asset base in order to maintain solvency margins. All the composites had fights issues a year or two ago and now it looks as if the companies are coming round again for more cash.
Queue
Commercial Union, which led the queue last time is first again this time round, seeking £74m. from a new rights issue. Prudential Assurance strengthened its asset base by taking over Standard Trust and there have been similar exercises by other companies. The continued improvement in underwriting results this year should help companies to maintain an adequate asset base.
Insurance can only operate successfully under conditions of stable currencies. The weakness of sterling last year brought into focus the heavy exchange risk being carried by insurance companies. This resulted in certain concessions from the Bank of England regarding the amount that can be held in overseas assets. The present strength of sterling has alleviated this problem.
Life business last year remained buoyant, with new annual premiums on individual



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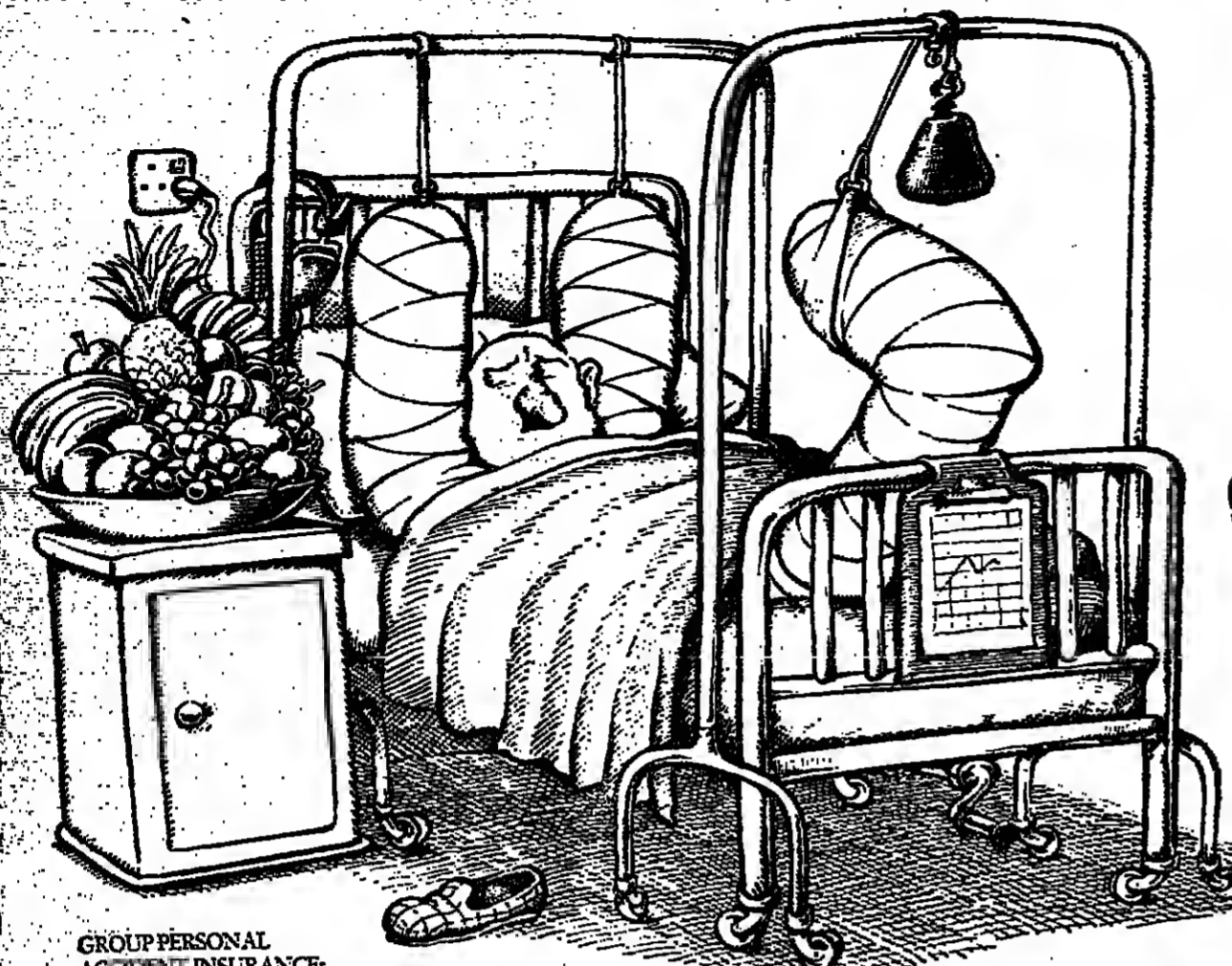
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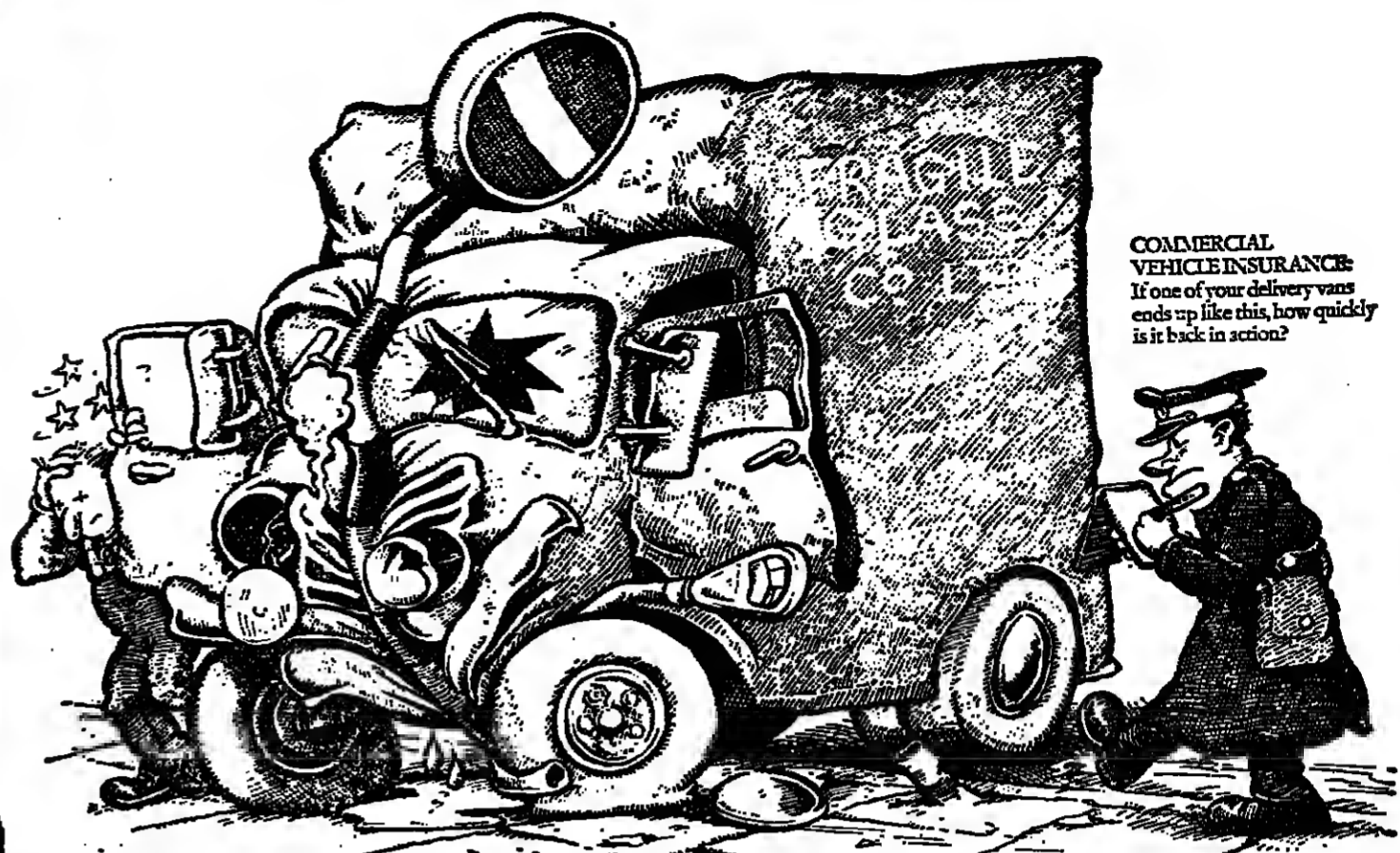
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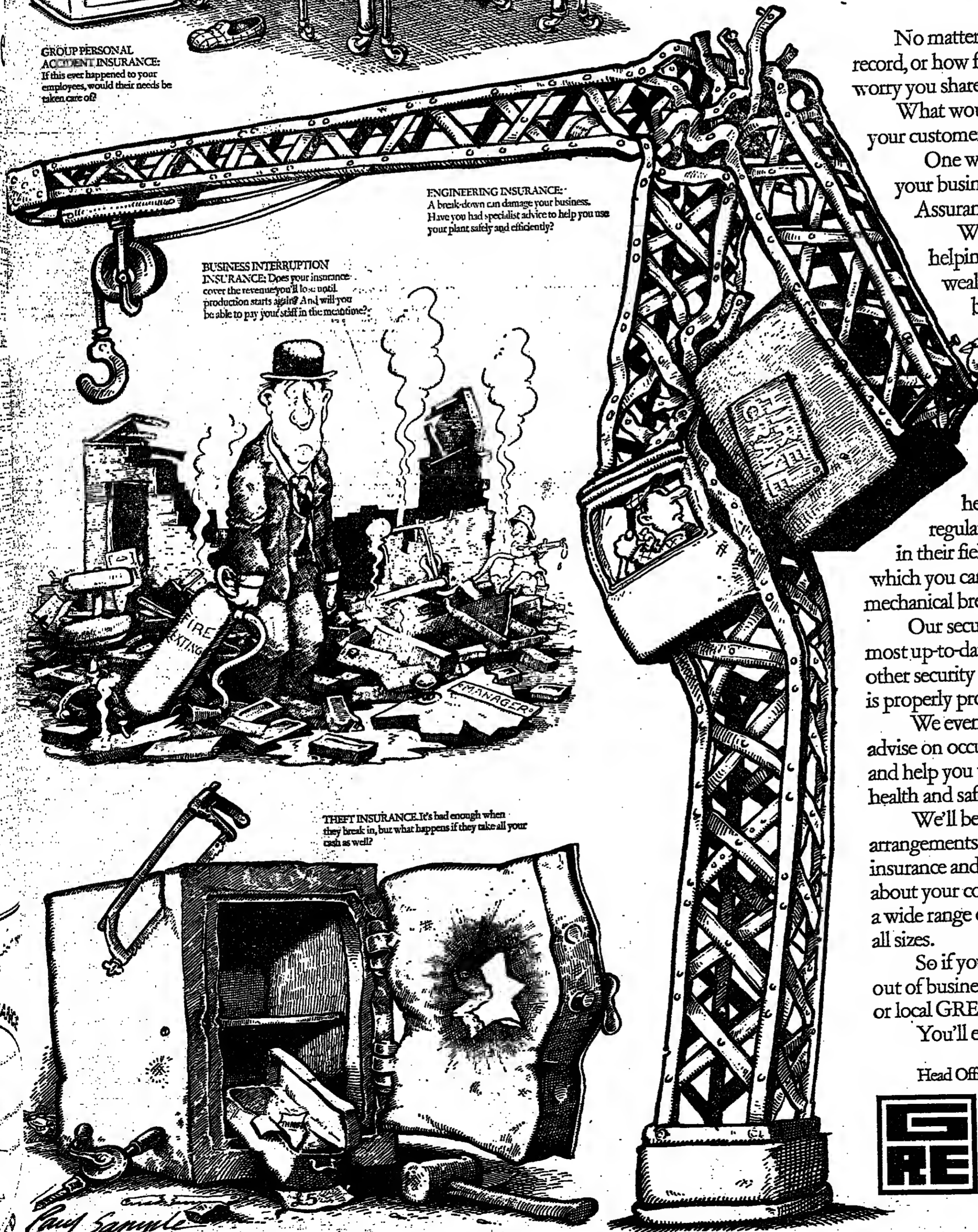
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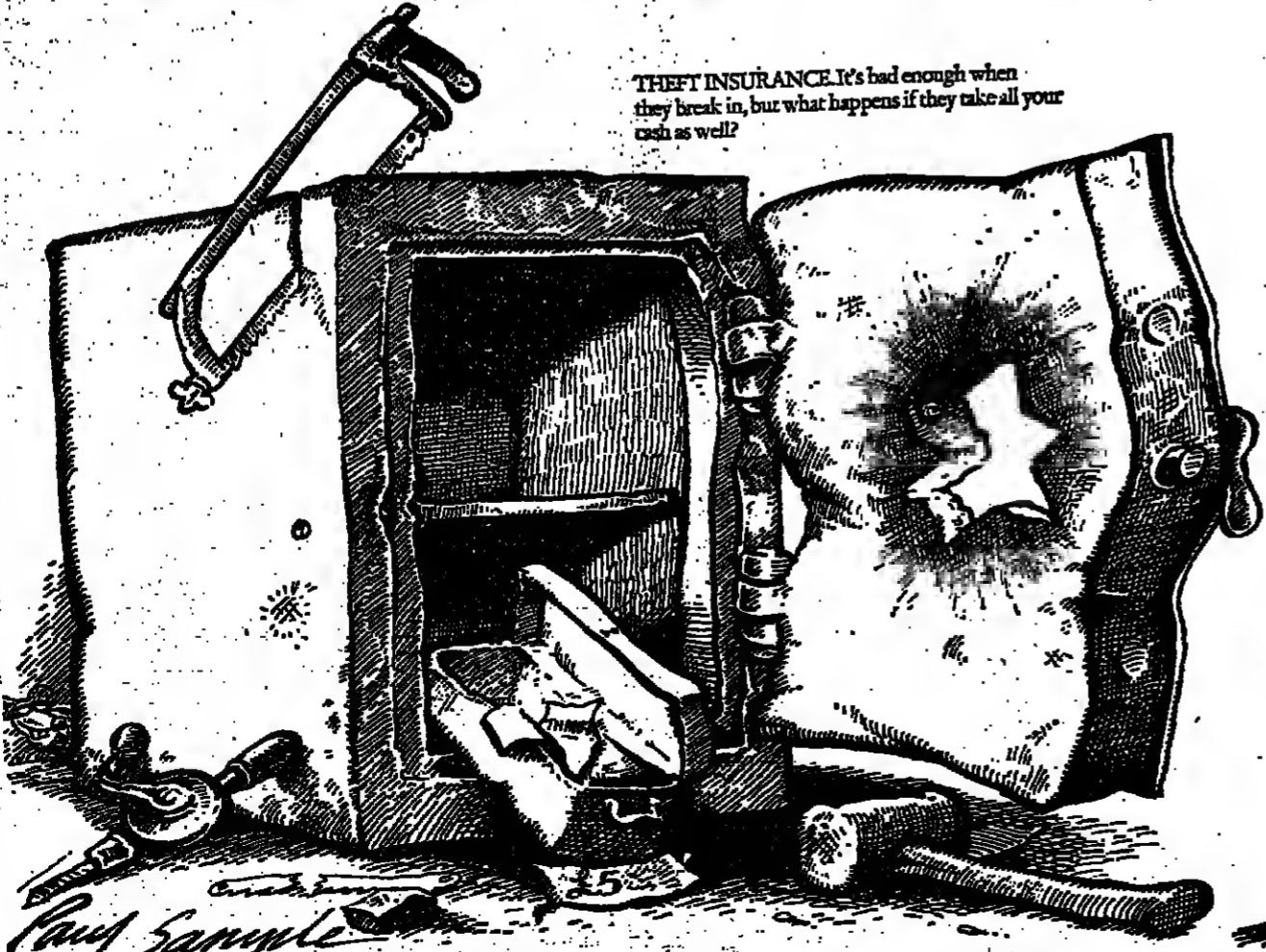


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Overcapacity in marine sector

THE BASIC problem which continues to affect the worldwide marine insurance market is severe over-capacity resulting in intense competition for many types of risk. The struggle is to secure business by so many competing markets has resulted in premium rates dropping to levels which are likely to prove uneconomic. Curiously, at the same time there are some peak risks, such as North Sea production platforms, where the entire world market cannot provide sufficient capacity.

Of course, if these peak risks could be absorbed, the over-capacity for the "bread and butter" business would be even more severe. It is essential for underwriters to have a good spread of risk and it is this basic requirement which has led to so much competition.

Platforms

At the moment, the cover provided by the worldwide insurance market for the more expensive oil production platforms in the North Sea may be in the region of, say, \$600m. to \$650m.—with, perhaps, a gross figure of 30 per cent. of that amount being written in the Lloyd's market. Often, however, those who are insured would like cover of up to \$800m. or more—if it were available. Perhaps in the future rather more help may be available from the non-marine market. While on occasions the marine market has helped the non-marine market with capacity problems there has not been a great deal of business in the opposite direction.

At the moment insured values of vessels are still below \$300m., even for the latest liquefied gas carriers. There is considerable competition for fleets of vessels and for cargo business. For bulk, it is unlikely that the overall premium income will prove sufficient when the last of the claims has been met. While cargo insurance does not have a long "tail," rates of premium have been driven down

to levels where little or no premium is being secured to meet the "catastrophe" type of claim which can be expected to occur. While those who are insured might prefer less volatility in premium rates, insurance experience tends to be cyclical. Some years ago, after a profitable period, there was an influx of new insurers anxious to write marine business. To secure business they had to quote competitive rates. The big question is how long this somewhat inexperienced element will remain in the market. Some, for instance, may have taken the view that, with high rates of interest, profits could be made from investing premiums before they had to be paid out as claims. Such insurers, however, may not have appreciated the long period over which claims are likely to be paid.

Naturally, in the cut-throat conditions which exist it is not always easy to pin down those responsible for so much hull business being written at premiums which are likely to prove too low. The London market is often blamed. While the phrase "London market" is convenient, it consists of the established traditional marine insurance market, consisting of underwriters at Lloyd's and the old-established offices in this sector, together with many other companies. Some of these are relative newcomers, and an increasing number of overseas insurers are establishing London underwriting offices.

The result is that a single marine underwriter in London (not necessarily writing for one of the traditional marine insurers) may quote a rate which would not be acceptable to much of the rest of the market. This rate, however, may then be described to overseas insurers as having been quoted by the London market. Not being aware of the exact situation, overseas insurers may be quite willing to write the risk at the same rate. The London underwriter may have been able to arrange reinsurance on favourable terms.

One of the problems in the marine market, therefore, is that there are too few underwriters willing or able to assess risks for themselves. Many are prepared to follow others blindly, without knowing the full story. This, inevitably, creates weakness within the market.

Sometimes it is argued that brokers now have too strong a bargaining position. While no underwriter is obliged to accept a risk, established underwriters in business for the long term cannot simply let the business drift away. They must remain in the market, writing a reasonable volume of premium, even if they know that rates are too low.

It is not always appreciated that some large brokers, quite apart from their traditional broking, accept business on behalf of one or more overseas insurance companies. Clearly, in some circumstances this may add some strength to their broking negotiations with the market.

The traditional marine market, therefore, knows that business is being written too cheaply, but must weather the storm. A certain amount of business has been allowed to go elsewhere, and individual underwriters do not always agree on the best course.

Members

For underwriters at Lloyd's the capacity problem has been made more serious by the large influx of new members, with a record number expected to start underwriting on January 1 next. Traditionally, new members have joined both non-marine and marine syndicates. While their capacity is needed on the non-marine side, increasing the size of marine syndicates adds to the problems for underwriters.

curied in another, and the of the repairs may have been increased not only by inflation, also by currency fluctuations. For the companies there be some easing of the string since the major international brokers are to start accounts in Deutschemark, the francs, yen, Dutch florins and other currencies which are major insurance currencies in addition to sterling. U.S. Canadian dollars in which premiums have been paid in the past. Other currencies may be added to the list in the future.

While there may be no tags in not having these currencies converted into sterling, it is unlikely that the income earnings will be as good as foreign currencies are showing. Underwriters, Lloyd's will continue to be this being on the old basis accounting.

Looking to the future, marine underwriters can see a number of things which may have a bearing on the market. Some may have taken a tougher line in refusing to business at rates which consider uneconomic. The reduction in interest rates on investment income, thus could have quite a repulsive effect on those who set out to write premium (and underwrite) on the back of investment income. Perhaps as encouraging as anything for the market is the tougher which has been taken by a number of reinsurers. There is doubt that the relative ease which "reinsurance" could arranged encouraged many to write the business at low rate premium.

John Gas

Lean motor account

OVER THE PAST year U.K. motor premiums have risen by around 15 per cent on average. However, as the end of the year draws near it looks as if the insurance companies underestimated the cost of underwriting. General Accident's recent nine-month profit figures indicated that the home motor account had shifted into the red. For drivers it adds up to the prospect of another pound of price increases in the new year of 15 to 20 per cent, despite a shrinking inflation rate.

One of the real problems for the U.K. insurance companies is the competitive nature of the motor market. Even at the best of times overall underwriting results show a very small profit. For example, in 1976 members of the British Insurance Association, which together account for about 86 per cent of the U.K. motor market, made a profit on underwriting of a mere £1.7m.—a paltry 0.2 per cent on net written premiums of £748m.

Premium income is not the only answer to the difference. In 1974 the BIA companies made a U.K. profit of only £1.8m. on premium income of £507m. whereas the Lloyd's straight underwriting result would be some £11.6m. The other factor which boosts the Lloyd's results is its own selective attitude. Traditionally the syndicates steer clear of the more risky motor business, though they have taken on a lot more private motor insurance over the last few years following the Vehicle and General crash.

However, Lloyd's, like the companies, is facing tougher times, and Mr. K. Joughin, chairman of Lloyd's Motor Underwriters Association, predicted last September that premiums would have to rise 15 to 20 per cent in 1978. General Accident, which is the largest single force in the U.K. motor market, agreed with that view, and if anything the figure "will be nearer to 20 per cent than 15 per cent."

It is still a very competitive market. In part this is because of the effect of the media. Magazines such as Which? and Drive bring rates for the various companies right under the consumer's nose. Motor premiums are fairly hefty in comparison with house insurance or a basic life cover and so the consumer makes a determined effort to get the best deal available.

It might be wondered why all the companies are not putting up their rates in order to make a reasonable level of profit, and how is it that Lloyd's underwriters are able to make a reasonable return from their motor business. The answer to both questions is closely related

at a faster rate than mechanical spares, and the former is the most important factor in all but the most serious motor accidents. Garage labour rates over the same period were up nearly 12 per cent, while prices of new cars rose by over 28 per cent, and of used cars by 18 per cent.

In addition the courts take into consideration inflation when calculating any loss of earnings caused by injuries and payments for the loss of an amenity (for example an arm) tend to stay level for a while, awards now appear to be moving a step higher.

But from talking to the insurance men it is obvious that it is the increasing number of claims that is mainly worrying them. In the early part of the year the number of claims had gone up against the comparable period by something like a fifth.

The spring did not see the expected slowdown, and it has steadied out since rise to date is probably nearer an eighth—insurers are concerned, not least of all because they cannot pin point the cause.

Several theories are put forward, but two seem the most feasible. Motorists are beginning to "feel the pinch" like other consumers and there might be more willing to pay a claim and worry about bonuses later. More important is that the price of petrol could be on the increase because of a proportionate rise in the cost of oil. This would also be a sharp rise in the cost of claims, assuming that does happen it looks as if motor claims will be rising next year.

Terry Gar

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مكاتبنا الجديدة

Share ratings reassessed

COMPLETE turnaround in the financial climate since last year has led to re-rating of insurance shares. Up to the middle of this year, the clear among them was the sector. The composites and the life offices third.

remendous run by the especially in 1975 and due to the fact that they were ideally placed to a crises of those years. were well placed to meet inflation rates because of, and hence commensurately rose with prices, while industrial companies to finance increased debtors, the brokers of the former and the latter.

second crisis was the level of interest rates. This was destroying and indeed conglomerates and companies, the brokers

thrived on it as they made excellent returns on their cash balances.

And then the sterling crisis, which hit those companies who had borrowed "cheap" Swiss francs and Deutschemarks to finance U.K. operations, was actually a boon to the brokers. A large part of their income came from abroad whereas most of their expenses were in devalued pounds.

Solvency

The composites, meanwhile, were much less well placed to meet these emergencies. Inflation, in particular, brought them down. If the premiums were allowed to grow with inflation at 15 to 25 per cent, then the net assets had to also, or else the solvency margin would deteriorate. There is no way that an increase in net assets of that order could be achieved out

of retained profits and so there had to be rights issues. The rights issues to turn over supplied the market in composite shares and the rating suffered.

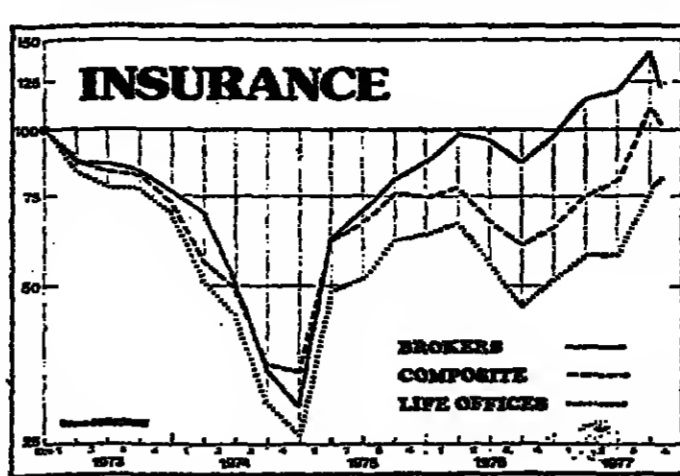
The rise in interest rates took its toll insofar as it was part and parcel of the fall in stock-market values. This had the effect of actually reducing net assets at a time when a substantial rise was needed. The shock which this gave the composites has been reflected in a reduction of their exposure to the equity market. Unfortunately, while this may be prudent, it probably means they will be less profitable in the future than they otherwise would have been. Equities are still better at pursuing inflation over the long term than fixed interest securities.

But in the last 12 months, the whole financial background has changed and the relative attrac-

tions of each sector have altered correspondingly. Interest rates have come crashing down, sterling has recovered its pose and the inflation rate has been reduced.

The stars of the bull market, the brokers, have lost their glamour since their ability to face up to the crises of the recession now carries less of a premium. For a while their share price performance was sustained by the rush of American business coming through them to Lloyd's. But now that rush is slackening off and in the last few months the shares have come back quite sharply.

The position of the composites has been more ambiguous. True, the slowdown in inflation and the rise of the stockmarket has eased their capital adequacy problems and the underwriting cycle has been on the up, especially in North America. However, the fall in interest



rates is a mixed blessing for the composites. Although it has led to the stockmarket rise it will also slow down the growth in investment income. This process may be delayed because of heavy buying of long-dated gilts last winter but it will come in due course unless interest rates go up again.

The composite sector was none the less performing quite well in the stockmarket until the £74m. rights issue by Commercial Union. The market did not like this issue one little bit and insurance analysts, normally quite calm and affable types, were to be heard muttering angrily that such an issue was quite unnecessary. Commercial Union, which has had a terrible time in recent years, is thought by many to have been greedy in tapping the stock market for more funds. As a result the rating of the whole sector has suffered. If there is one lesson that investors should have learnt in recent years, it is to avoid the composites if they do not like forking out for rights issues.

In contrast, the life offices come to the market for new

moody very rarely, and currently they are regaining popularity. Premiums are expected to move ahead on the basis of a recovery in real disposable incomes next year and the new life in the property market. Also encouraging is the amount of business coming from companies which are contracting out of the State pension scheme—and the attention which has been focused on pensions recently has led to a lot of reorganisation and topping up of existing schemes.

The question now is whether the adjustment to the changed circumstances has gone far enough. Stockbrokers Grieserson Grant believe that the revaluation of life offices has further scope since their position has not been so fundamentally attractive for over five years. Wood Mackenzie goes along with this view, with the proviso that the industrial life assurance companies are less attractive. But while the life offices are agreed to be in the middle of a good run, the composites and brokers are more difficult to evaluate.

Impact of regulations

INSURANCE industry Companies Act 1968—it seems through the financial years of 1973-74 relatively quiet. Unlike the case of as some insurance companies—particularly the Scottish Life company—were crumbling on work of the companies. Companies did hit problems, however, they stemmed partly the same sources as of the secondary banking; an inadequate of assets and—at a time of vigorous valuation.

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undertaken on 38 occasions, as against 31 in 1975. But in 57 cases, as against half that number in the preceding year, companies were persuaded to undertake remedial action—by raising new capital, or in some cases by a change of ownership which itself permitted a strengthening of the capital base.

None of those companies has, however, been identified—for obvious reasons. All the same, the cloak of confidentiality effectively means that it is impossible for anyone outside the Department to judge the effectiveness of its monitoring procedures. No-one knows—or ever will know, unless there is another failure—how far the rot goes before the Department intervenes.

forecasts and the volume of information which the Department requires from the company in its opening years. There is also a solvency margin required for authorisation which effectively debars all but those companies which have heavy financial backing from entering the business.

Obviously there are some arguments in favour of a stiff financial barrier against new entrants into the business—it deters the fly-by-nights. But it may also reduce the level of legitimate competition and curb potential innovators—and that is not necessarily a good thing, even for an industry as conservative as insurance.

addition, the problems hit some of the life companies in the wake of the 1973-74 financial crisis pushed them into making some for the protection of the investors' investments. a company collapse, rely that provision was of the industry with issue into law of the older's Protection Act

years after the passage 1973 Act—which gave form to the regulatory granted in the Insurance

Certainly the volume of work imposed upon the companies has increased. The chief general manager of one small life office reckons that since the passage of the Insurance Companies (Valuation of Assets) Regulations 1976 he now has someone working half a day a week simply on providing the Department of Trade with the additional information which it requires; that, out of a total staff of 80, is a not insignificant addition to the expenses of running the business. He accepts that the Department of Trade is making use of the figures which he provides, because he has had queries on them. But the queries have not come through until several months after the presentation of the figures.

However, if that suggests that the Department of Trade's exercise of its powers, though well-meaning, continues somewhat ineffective, the Department's annual report for 1976 suggests otherwise. As the report revealed, the Department used its powers to intervene in the affairs of insurance companies far more frequently in 1976 than was the case in the preceding year. Formal intervention was

That being the case, the results of the Department's activities have to be judged in the negative—by the absence of troubled insurance companies—rather than by the positive contribution which its regulatory functions make to the health of the industry. It is possible, however, to identify one or two specific areas—in addition to the increase in work and the increase in costs—where this flurry of bureaucratic activity may have worked to the detriment of the industry.

There is too the question of whether the new regulations will handicap new companies trying to break into the industry. It is not simply a matter of their directors satisfying the Secretary of State for Trade that they are fit and proper persons to conduct insurance business, or even of the stringent requirements on new business

Adrienne Gleeson

James Bartholomew

low progress in Europe

ACTIVITY was the sole aim of the directive to impose restrictions on existing freedoms.

Another possible reason for the slowness is that the directive as such is not likely to make much difference to the present modus operandi of insurance companies. U.K. companies have been operating in Western Europe for decades and will continue to do so unless actively deterred. The continental insurers have been introspective in outlook since their formation, their overseas business remaining a small proportion of the overall insurance portfolio. The immediate effect of the directive will be to regularise an existing situation and move towards a common supervisory system. In this respect, the powers conferred upon the Department of Trade by the Insurance Companies Act 1974 are far more sweeping than any system operative in the other EEC countries. The DoT so far has not used them to any great extent.

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Finally, there is the problem of ascertaining whether solvency margins should be determined net or gross of reinsurance.

However, the amount of life business coming from the EEC is growing steadily. Last year, premium income from Europe totalled £195m., compared with £182m. at the time of joining the EEC. Most of this growth arises from acquisitions by U.K. groups of existing businesses.

The directive providing for freedom of services was finalised last December and comes into force next June. This means that brokers and other intermediaries can set up in EEC countries, providing they fulfil the necessary basic qualifications. This represents a large step forward, but it does not mean complete freedom from brokers until there is freedom of establishment. A U.K. broker, for example, can set up in West Germany, but he will only be able to place German insurance risks with a German insurer. What he wants is to be able to place the risk worldwide if necessary.

This directive again will regularise the position. The major U.K. brokers already operate effectively in the EEC by agents, contacts and reciprocal agreements. Lack of harmonisation has not kept them out of Europe in the past. Nevertheless, the way has been made easier for moves towards complete liberalisation of insurance within the EEC.

Outlook

The vision still held by some insurance people of a grand European insurance market as the dominant force in world insurance would appear to be several years away. Harmonisation is a necessary step towards this goal, but its fruition will need a change in outlook from the Europeans in particular.

The position as far as life business is concerned is that the life directive has got completely bogged down. It has been with the Council of Ministers working party since 1975, and no progress appears to have been made on three outstanding issues. The first relates to specialisation. In the U.K., the concept of life business being one branch of a composite is common practice, whereas in other EEC countries life and general are two separate operations. A U.K. composite can either do general business in the EEC or life business, but not both unless it separates both

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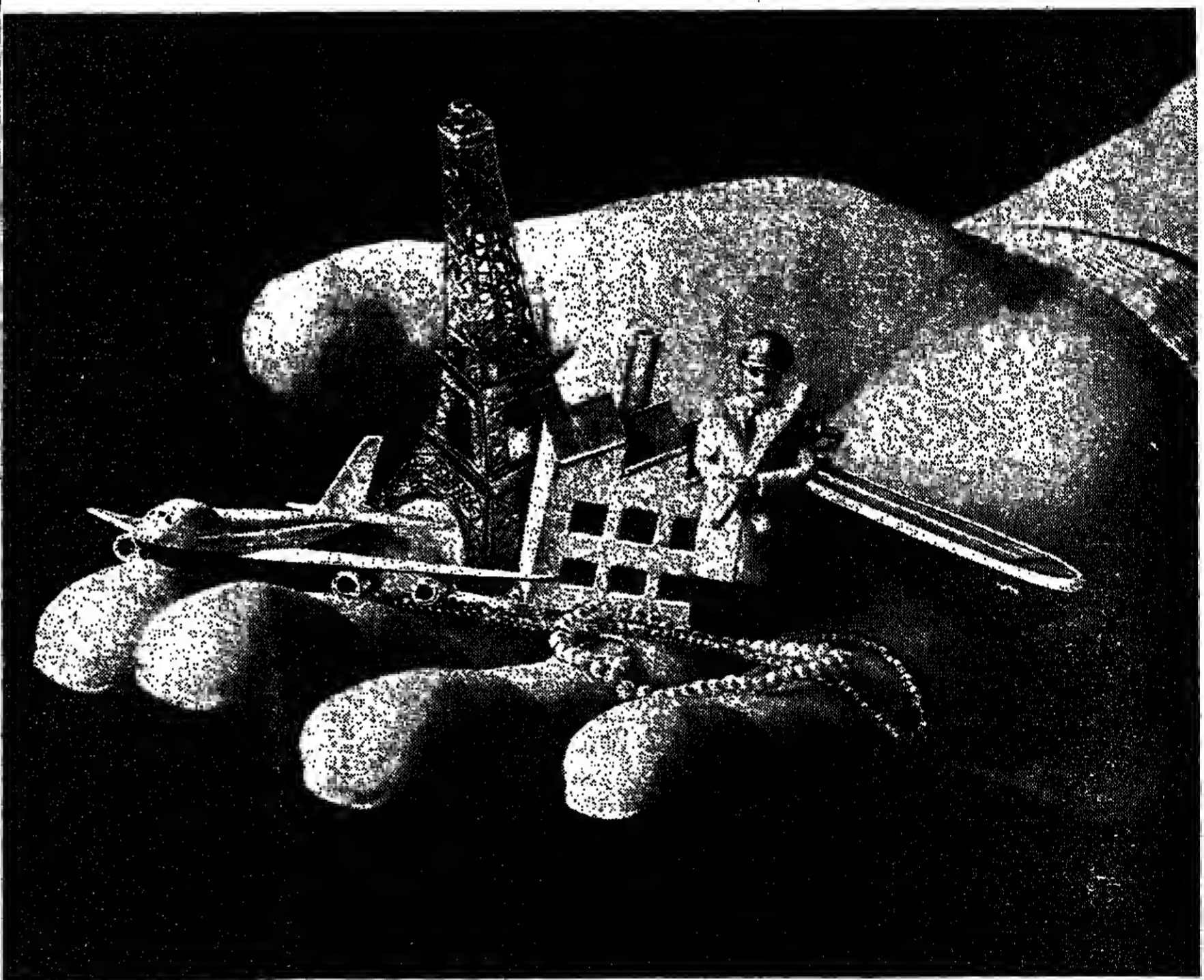
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Quiet confidence at Lloyd's

THE DAYS when Lloyd's went to some lengths not to talk to the rest of the world are gradually being left behind. Individual members may still be somewhat reticent in discussing their business, but the institution itself, as its evidence to the Wilson Committee last week clearly indicated, is only too happy to discuss its functions in the insurance market.

Like the other financial institutions, of course, Lloyd's has an interest in preventing its case from going by default—more of an interest than most perhaps, because it still retains something of the character of a rich man's club. Hence the high-flown claims for the benefits which the operations of Lloyd's confer on its policyholders in terms of security and flexibility of underwriting skills and on the public at large in terms of a competitive alternative to the big insurance companies and a very big contribution to invisible earnings. Lloyd's takes some 75 per cent of its premium income in foreign currencies, and its contribution to the country's invisible earnings has risen from £14m. in 1965 (the first year for which figures are available) to £279m. in 1976.

That loss reflected not only a series of the physical catastrophes against which much of the underwriting in this market is done but also the effects of the 1974 financial crisis in the U.S. Rates were plainly inadequate, and they have hardened since—though not yet enough, according to Mr. Charles Skey, chairman of Lloyd's Non-Marine Underwriters' Association. As of now it looks as though the underwriting loss will have been reduced during 1975, and that the next set of figures to be reported from the non-marine market will show a profit—thanks in part to capital gains made in the gilt-edged market. But Mr. Skey reckons that the recovery still has some way to go, and claims that it is essential that underwriters continue to take a hard line on rates, "for only out of worthwhile profitability will true long-term additional capacity emerge."

In the marine market the problem has been not under-capacity but the contrary. With the level of business in any case diminished by the slump in the shipping markets, too many underwriters have been chasing such business as there is to make for a healthy rate structure. Last year the marine (and the small aviation) account at Lloyd's showed a profit of £72.4m., but whether that will have been maintained into the next accounting period remains to be seen.

Not that in the case of Lloyd's syndicates there is ever money standing idle. The beauty of membership is that on the contrary money is generally used twice over—once to earn investment return, whether through the premiums trust fund, the reserves, or as part of the "show of wealth," and once as the capital base supporting twice its level of premium income (1½ times in the case of overseas members).

Inflation is, indeed, a serious problem for the motor market at the moment, and the chairman of the Motor Underwriters' Association has already promised an increase in rates of between 15 and 20 per cent in the New Year to compensate for the inflation. The rate increases are a feature of the aviation market too, but here, as with the marine market, underwriters have been running into resistance, and some business has gone elsewhere.

Lloyd's underwriters may temporarily put out by the loss of revenue which a loss of business entails, but there are signs of any real despondency in any of the markets in which they do business. They have their own skills and their own confidence, not merely in their own skills but in the financial strength, but in the reputation for such strength. Certain factors, however, mean that the "Old Building" in the City is unlikely to be repeated in the near future.



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THE LIFE insurance industry in the U.K. is growing; it is also developing. In terms of sheer statistics the new business returns speak for themselves. The number of traditional life assurance policies sold in 1976 was 2,350, which is at a rate 6½ per cent up on 1975, but 12½ per cent higher than in 1972. More significantly, the premiums on the new annual business last year amounted to £239m. and £208m. for single premium contracts—gains of 24 per cent and 94 per cent over the previous 12 months.

The figures relating to the fast-expanding unit-linked side of the industry are perhaps even more impressive, though on a lower base. New policies issued last year amounted to 474,000—a 16 per cent jump over 1975 and 26 per cent improvement on 1972. New annual premiums leaped by 132 per cent over the five years span, but single premium business, while almost double the 1975 total, actually dropped over the period. This reflects the fall from grace of the single premium bonds (property, equity and managed bonds), which caught the public's imagination in a big way in the late 1960s early 1970s and which now appear to be regaining their popularity.

But aside from just physical growth, gratifying as it is, there has been a fundamental shift in the structure of the business. The first unit-linked policies broke on to the scene in the early 1960s pioneered by groups like M and G. The mantle of growth was taken up by Abbey Life and later Hambro Life, which sold millions of pounds worth of unit-linked business. They were joined by most of the major unit trust groups. What they added to the life

assurance world was a dramatic change in marketing methods. Aggressive selling through newspapers, by direct sales forces and brokers' sales forces produced phenomenal growth. What it also added was not a little bad feeling in some quarters over the commission rates being offered to agents to attract the business.

In terms of structure, too, it meant that policyholders' returns were geared to the performance of specific underlying assets: not just property or equities, but the specific properties and shares. This naturally has applied whether those assets have risen or fallen. There has been no actuarial influence to smooth out the bumps.

Naturally, the overall impression created is that the unit-linked policy is in some way more risky than the traditional with-profits policy which pays bonuses through thick and thin.

Some would argue, therefore, that unit-linked has taken nothing away from the traditional camp, but has merely added a new dimension to the business. The coming of age of the unit-linked policy has really occurred quite recently. The traditional offices, which have consistently ignored the unit-linked matters throughout the growth period, have finally been "won over". Offices such as the Phoenix, produced unit-linked contracts some while ago and that particular organisation strengthened its grip with a take-over of the small and highly respected Property Growth Assurance Group—one of the early leaders in the property bond market.

cannot afford to be left behind by old prejudices. Now that the two-roles of two types of policy have become more clearly discernible, it is also accepted that they can be offered in tandem by the same office. The unit-linked contract is rather more exciting element. But it will nevertheless place the traditional policy which is indispensable when it comes to providing a cash sum for, say, retirement of a widow. Since the value unit-linked contract is volatile and will fluctuate with the stock market, property, even gilt-edged, the policy is linked to it is unsuitable for such a security purpose.

The only factor that is likely to change that view is the actuarial profession comes with a suitable formula guaranteeing maturity value a problem that has been tied up in knots for some time. With the stock market property, even gilt-edged, subject to wider swings, it is particularly when assets are so exactly matched to policies to estimate a sensible reserve.

The actuarial may well to the conclusion that no answer. The way to so much the dips and be in a position to give maturity guarantee is to slice some of the gain up in a bull market and to do that would run the beauty of a unit-linked can end up full circle. Others have followed, such as Sun Alliance and Legal and General.

One view taken appears to be that if that is what the public is wanting, then it is only sensible and co-mercial to satisfy that need. In other words, they

Expanding life market

New era in pensions

NEXT APRIL sees the start of the new state pension scheme as set out in the Social Security Pensions Act 1975. It heralds the dawn of a new era in pensions, since the scheme brings earnings-related pensions for everyone except the self-employed, for whom this scheme does nothing. It has several direct implications for the life assurance industry.

One central theme of the Act was the partnership between State and occupational pension schemes. Employers can contract-out of the earnings-related portion of the State scheme and provide earnings-related pensions through a company pension scheme. The life assurance industry has for many decades provided a complete pensions service in alternative to the self-administered scheme.

All indications are that many employers intend to contract-out of the State scheme and provide pensions through a company scheme. A survey by the Company Pensions Information Centre estimates that at least 11,000 schemes will be contracted-out and a high proportion of these will be with a life company.

The large and medium-sized companies can afford the services of a pension consultant or a consulting actuary to advise them. But the smaller employer has to rely very much on the advice provided by the life companies. Most, if not all, life companies spent several months training their pension inspectors in the intricacies of the new scheme and ensuring that each client had the alternatives fully explained.

This in itself required a considerable effort. The contracting-out terms are finely balanced so that each case has to be looked at individually before advice can be given on whether to stay in or come out. Life companies have a myriad of small pension schemes on their books—mostly a legacy from the Boyd-Carpenter graduated schemes—providing very low levels of benefit. Each of these schemes needed to be dealt with separately, to discover the employer's intentions.

Some life companies have not hesitated to advise employers to remain in the State scheme where it was to their interests to do so. The leading pension companies—Legal and General, Prudential and Standard Life—have been advising small companies, usually with less than 25 employees, to stay in the State scheme.

The most notable change in the pensions field has been the awakening interest in pensions by employees and a growing involvement by trade unions. Under the Act employers have to consult with their employees and unions over the decision to contract-out. The experts have been very much involved in this consultation process.

The next service offered by life companies in the company pension field is administration. Company pension schemes are set up under a trust deed. The benefit levels have to be approved by the Occupational Pensions Board to ensure that they conform to the minimum requirements for contracting-out, while the Superannuation Funds Office of the Inland Revenue has to agree that the benefit levels do not exceed its limits for tax purposes.

It is an administrative maze in which the unwary can easily get lost. The life companies, through years of experience, have learnt how to cope quite effectively with pensions administration. A significant proportion of schemes which have already received their contracting-out certificates are schemes arranged by Standard Life, a company which got its benefits structure and trust deeds sorted out with the OPB comparatively early. The Legal and General is now offering administration services to self-administered schemes.

Once the new State scheme gets under way the administra-

tion systems that have been set up are likely to undergo severe strain and problems will inevitably arise. This aspect of the new pension arrangements has tended to be overlooked. But as the starting date draws nearer there is a growing feeling of apprehension about the administration aspects, and fingers are being crossed.

The growing member involvement mentioned above will likely result in much more information being given to employees. Regular benefit statements are going to be the norm. The life companies, with their computerised systems, should be able to meet this increasing demand by employers for more information.

Finally, the life companies provide an investment service for the employer, possibly the most vital function of life companies. Bad or indifferent investment in pension funds can result in employers having to pay heavily for mistakes. The investment expertise offered by life companies is derived from decades of active participation in the investment field.

Since benefits are now linked to final salary or revalued average salary, pension liabilities will rise with inflation. Furthermore, since such liabilities are funded over the working life of an employee, contributions have to be invested in assets whose value will match salary and price inflation. This

Notice

But the exercise which has made everyone sit up and take notice, and which has prompted some of the other more recent entrants to participate, is the success of Vanbrugh—a subsidiary of no less an institution than Prudential Assurance.

Selling exclusively through insurance brokers (apparently this rule is adhered to 100 per cent), Vanbrugh has been described as the fastest growing life assurance company in the entire business. In 1976, its single premium business was up by 300 per cent, and this year a further gain of 40 per cent is confidently anticipated.

This sort of growth is impressive even for the giants and others have followed, such as Sun Alliance and Legal and General.

One view taken appears to be that if that is what the public is wanting, then it is only sensible and co-mercial to satisfy that need. In other words, they

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INSURANCE industry has several years been the single earner of the invisible earnings — as the income of financial institutions is known — and as it has made a growing contribution to the balance of payments. The expansion over the couple of years has certainly been remarkable but now is less certain about the facts than in the recent past.

The impressive record of the decade has been achieved in spite of intense and growing competition from overseas insurance centres. However, the continuing importance of the insurance industry as a business for London is underlined by the fact that at least two-thirds of non-premiums come from abroad, while the proportion is about three-quarters for Lloyd's underwriters. The insurance brokers also in the majority of their net earnings of the industry — including Lloyd's as well as other companies — grew from £296m. in 1970 to £606m. between 1970 and 1977, according to the Government's statistics in the annual Book on the balance of payments. However, a later estimate by the British Insurance Association of the earnings of insurance companies in 1976 was higher than earlier estimates at £307m., or £173m., with the result that the total net insurance contribution last year is estimated at £740m.

This represents a 150 per cent increase in net insurance earnings since 1970 compared with a rise of more than 180 per cent in the period for the total earnings of the City (faster average growth came from banking and commodity trading). Nevertheless insurance accounts for 45 per cent of the City's total invisible earnings and on its own is equivalent to about 15 per cent of the net earnings on visible trade in manufactured goods.

Rapid growth in the last few years has been helped by the fall in sterling which had an immediate effect on the flow of business from abroad, and by the fact of higher inflation on

premiums and by higher investment income resulting from generally high interest rates. In 1976, for example, the net earnings of insurance as a whole rose by more than 60 per cent, and there has been continued, though less spectacular growth this year.

A survey at the beginning of the summer by the Committee on Invisible Exports indicated a 25 per cent rise in the net overseas earnings of the major U.K. service industries during 1977. It specifically referred to bright prospects for insurance brokers and companies, though this must be qualified compared with the buoyant optimism of a year ago.

There are three distinct categories of contributor to the earnings of the insurance sector — the companies, Lloyd's and the brokers. The companies are the most important and accounted for £307m. out of last year's total of £740m.; this consisted of £44m. from underwriting on overseas business written in the U.K., £180m. from direct investment in the form of profits from overseas business written outside the U.K. through subsidiaries and branches, and £73m. from portfolio investment. The Lloyd's contribution last year was £278m., of which £249m. came from underwriting on overseas business in the U.K. and £29m. from portfolio investment. The brokers earned £154m.

As these figures imply, there are a number of different sources of earnings from overseas business. The first consists of the income from trading operations in the form of profits and losses. The underwriters — whether insurance companies or Lloyd's syndicates — receive the premiums for the risks taken on the portfolio, out of which they must meet their expenses and then pay claims arising from that business.

This business is either undertaken as an overseas risk written in the U.K. — Lloyd's solely operates in this way — or is passed through subsidiaries in the country where the business originates. The latter, for example, one of the main

sources of income for the U.K. composites, notably in the U.S. Secondly, the insurance sector earns money from investments held overseas — either by the companies or by Lloyd's. This arises from premiums which are invested until the claims have to be paid, and there is usually a long time-lag. In addition, investment income is also received on reserves held abroad — for example, on Wall Street. The investment income of the companies is relatively much more significant at £73m., compared with £30m. for Lloyd's, because of the much larger reserve funds. In both cases, investment income rose sharply in 1975 and 1976 benefiting from the generally high level of interest rates in most industrialised countries.

The third main source of the insurance sector's overseas earnings arises from the overseas trading activities of the insurance brokers. Their involvement overseas has expanded rapidly in the last decade and since 1970 their net earnings from overseas have risen by more than three times. The brokers are direct beneficiaries from the impact of any decline in the value of the sterling on premiums income and also from the impact of inflation. The recent good results of both the brokers and Lloyd's has also reflected a recovery of the North American market with good business again being written on profitable terms.

The different sections of the industry have varying views on prospects, as was spelt out in a speech on the outlook for 1977 by Sir Francis Sandilands, the chairman of Commercial Union. He pointed out that the companies were generally confident about a rise in earnings during 1977 because of increased investment income, a general expansion of business and better underwriting results.

However, Sir Francis noted that the most controversial item was the effect on earnings of the falling value of sterling with some companies thinking it would be positively harmful and others believing it would help. It is necessary to distinguish between the short-term and the long-term effects.

Sir Francis pointed out that, "while in the short-term a falling pound increases the value of overseas earnings in sterling terms, in the longer-term there are very consider-



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Fire hazard alert

STAGGERING increase in cost of fire over the years has been giving considerable concern both in industry and the insurance sector. A firemen's strike can only add to the headaches.

The insurance industry could well be on a powder keg. While the number of fires are unlikely to be any higher during the winter, the extent of the damage caused is bound to be severe. After all the fire is a natural taking while the fire fighting equipment available is not only

limited but often out of date. Having said this there has not been any major fire, apart from that at the power station at Tilbury, since the firemen started their industrial action. As such the British Insurance Association, while obviously expressing concern over a prolonged strike is not unduly worried at this stage of the proceedings. But one major fire could soon change the picture.

The insurance sector is clearly hoping that industry and the private sector shows a greater awareness to the risk of fire which together with a greater increase in new business — since

the strike was intimated there has been a noticeable increase in fire insurance particularly from the householder — could serve to check the possible rise in rates. Increased insurance premiums by way of a greater volume rather than higher rates is naturally more acceptable all round. The fire statistics to date tends to show that industry and the private sector is taking more precautions. The insurance companies themselves have also become more active stepping up their advisory services both out in the field and in their numerous branches.

Environmental changes have, after all, been putting an even greater strain of the various fire protection authorities and it should be a matter of course that industry steps up its efforts to combat this growing threat. The need to become more competitive in industry had led to larger factory and warehousing complexes which together with the expansion in such areas as the petro-chemical industry have led to an even greater potential risk factor and the possibility of another catastrophe on the lines of Flixborough should never be forgotten.

building designs and the material used. And the Royal Institute of Architects has incorporated design to combat fire in its teaching.

However, despite these closer links with industry and the architects the cost of fire damage remains at disturbing levels. The latest monthly figures issued by the British Insurance Association which cover September reveal an estimated cost of £18.7m. This figure was £1m. higher than the previous month, but £21m. lower than for the previous comparable month. This brought the total for the year to date at £188.1m. which is about £22m. lower than at this stage in 1976.

The latest detailed figures available are for 1975 and these show that the engineering sector suffered more than any from the damage caused by fire. There were some 99 fires costing more than £20,000 with the total damage at £17.5m. The textile industry suffered from 45 fires with the total damage at £14.1m., while there were a staggering 183 fires in miscellaneous services such as restaurants, cinemas and public houses and the total cost here came out at £11.6m.

Overall there were 1,132 fires costing more than £20,000 in 1975 accounting for £128m. out of a total of £213m. The average cost was £111,000 while there were 16 fires costing over £1m. These figures themselves are distressing enough reading but even more so is the fact that over 40 per cent of all fires are started deliberately by children and adults. What is more these are only the cases where it can be proved that malicious damage took place. Malicious damage is regarded as the chief growth area.

While the figures for the current year so far do suggest a reasonably encouraging trend, there are bound to be a few anxious moments in the insurance sector while the current dispute continues. But at least the BIA was bold enough to state in the last monthly figures that industry and commerce appeared to be responding to the association's plea for a greater attention to fire dangers.

Pensions

CONTINUED FROM PREVIOUS PAGE

not an area for the amateur managed funds has also meant the theme chosen by Mr. Ross that self-administered pension schemes can do some or all of them — at a pensions conference, making use of the investment expertise of the life companies. The property funds have been particularly sought after — the Legal and General property fund now exceeds £200m.

In contrast, the self-employed get nothing from the State beyond the basic pension, and have to make their own provision. The most tax-efficient method is through a pension contract with a life company. The contributions get tax relief at the investor's top rate, investment is made in a tax-exempt fund and the ultimate pension is taxed as earned income, with the valuable option to commute part of the pension for a completely tax-free sum.

There is a wide range of contracts available to the self-employed — conventional contracts with high level guarantees or linked to units of a variety of funds. This type of individual pensions business is booming as the self-employed become more pension-conscious. The life companies, both traditional and unit-linked, are reporting buoyant sales this year, following a successful year in 1976.

Progress has also been made by the insurance industry, through the FPA, in setting up some form of guidelines in

building designs and the material used. And the Royal Institute of Architects has incorporated design to combat fire in its teaching.

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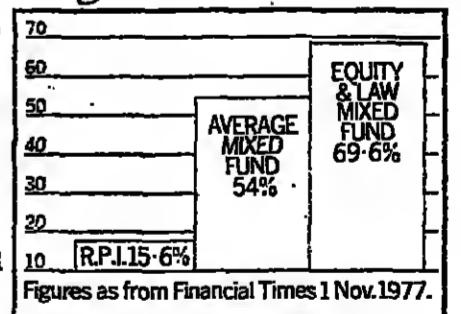
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What's more, the law stipulates that this "margin of solvency" must not fall below a minimum figure. So, as our premium income grows we must earn sufficient profits to help keep it at a safe and secure level.

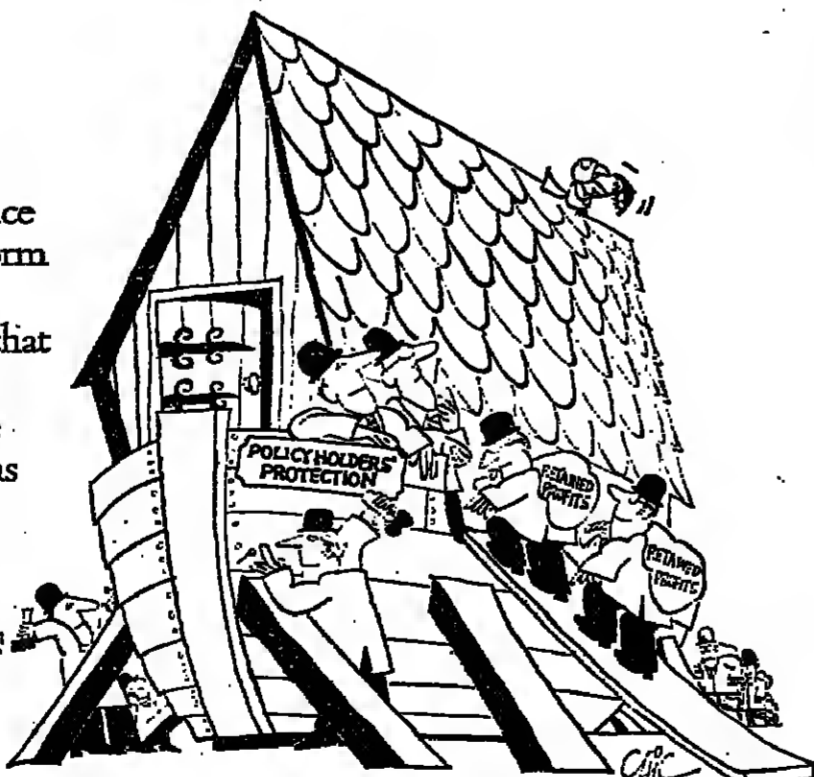
Which shows the essential part that profits play in the growth of our business. They are nothing less than our policyholders' protection.

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Integral role for the broker

INSURANCE IS a complex subject, requiring first an assessment of the insurance requirements, then arrangement of the necessary cover and finally settlement of any claims that may arise. This process is applicable whether it is a massive oil rig or a private house that is to be insured. The services of a professional intermediary are usually needed and often they are essential. The insurance broker, large and small, is an integral part of the modern insurance operation.

Yet up to now there has been no control over the insurance broking profession. Anyone can set up as an insurance broker, irrespective of qualification, expertise, financial status or integrity. In dealing with company insurance problems anyone without the necessary expertise or financial backing will not last very long. But where the general public is concerned the way is open for abuse and bad advice. In fairness, it should be pointed out that the service provided by brokers has in general been excellent. The few cases of dishonesty or incompetence that have been reported have tended to convey the wrong impression of the overall state of the profession.

But now the profession is going to be subject to control. The Insurance Brokers (Registration) Act 1977, which became law in July, will impose a discipline on the profession and set out minimum standards for persons and organisations wishing to trade under the title of insurance broker. The Government gave the insurance brokers the chance to regulate themselves and they took the opportunity with both hands. Now, thanks to the efforts of Mr. Francis Perkins, chairman of the British Insurance Brokers Association (BIBA), and Mr. Jack Page, the Member of Parliament who sponsored this private member's Bill, the brokers have now got a self-regulating system under the eye of the authorities.

Under the Act, all those wishing to trade as insurance brokers will have to register with a special Registration Council composed of 17 members. Of these 12 are appointed by the

time cases have been brought to light, usually in the Press, revealing where brokers have been receiving very high commission rates for channelling business through one company. A code of conduct can only be meaningful if offenders are punished rigorously. The Registration Committee is empowered to establish a sub-committee that will investigate complaints and if a breach of the code is proved take disciplinary action. This can include the ultimate sanction of removal from the register, in effect taking away the means of trading under the title of insurance broker.

The Act makes it an offence for anyone to trade under the name of insurance broker or a similar description unless they are registered, so individuals cannot ignore registration and carry on as at present. Critics of the Act have claimed that this is a charter for the big insurance brokers and that the small broker will only be able to operate as a grace and favour act from the big boys. Mr. Francis Perkins and his staff have been at pains to refute this suggestion. They insist that each application will be handled on its merits. The BIBA appointments to the Registration Council show that there are "small" and medium brokers represented as well as large.

What is not known at present is just how many persons will actually register. At the moment there are about 4,000 members of the four professional insurance broking bodies and it is expected that most, if not all, will register. The unknown quantity remains those individuals who trade as insurance brokers, but who have never bothered to join any organisation. They may decide to register and comply with the standards. They may, however, change the title under which they trade and carry on as life insurance, or perhaps as significant that since the commission scales were changed last year, resulting in much lower commissions being paid out, very little of this type is now being sold. From time to

Code

But as far as the public is concerned, the code of conduct will be all important. It is not yet known precisely what it will contain, so final judgment will have to be reserved. But the code must ensure that the broker will at all times put the client's interests before his own. Brokers may protest that they have always done this. But in the life insurance, it is perhaps significant that since the commission scales were changed last year, resulting in much lower commissions being paid out, very little of this type is now being sold. From time to

Aviation business

THE WORLD aviation insurance market is at present characterised by increasing competition for the available business, with the result that rates are tending to drift downwards, although the premium income itself is increasing as world airlines introduce greater numbers of bigger and more expensive jets.

Figures issued by Lloyd's show that in this situation aviation insurance business is only marginally profitable. From 1948 to 1974 (the latest full year for which figures are available), aviation insurance premiums paid to Lloyd's members rose from just over £6m. to about £137m., reflecting the growth of the world air transport business in that period.

Aviation insurance claims also increased substantially, however, and in 1974, the claims amounted to close to £134.4m., or some 96.49 per cent of net premiums.

In this situation the London insurance market is concerned lest there should be either another "Tenerife" situation (in which two fully-laden Jumbo jets collided on the ground), or a succession of accidents involving large airliners. At a time when any single accident of this nature can wipe out up to half of the gross premium income, a succession of such accidents would create a serious situation indeed for the world's insurance markets.

One way out of the problem would be for the underwriters and insurance companies to raise the premiums paid by the airlines. But this is easier said than done. Throughout the world there is considerable competition for the available business, especially from countries whose insurance markets have not traditionally specialised in aviation business but which now see in it the possibility of future profitability as world air transport continues to expand in the 1980s and beyond, albeit at a slower rate than in the halcyon days of the 1950s and '60s. This competition is driving premium rates down—a situation to which accident every few years, there many of the airlines themselves is no question that the present do not object in the light of soaring costs in all other areas of civil aviation.

There are signs on the horizon, however, that some of the other major aviation underwriting markets besides London recognise the dangers in this important, since the trend in transport is increasingly

aided through the exchange of information and experience among carriers. It is important that legal barriers to activity must be removed.

Yet another increasing interest in aviation insurance is that of "product liability"—the need for airlines and manufacturers of ever smaller components to take insurance against the possibility of an accident. There have been cases of aviation accidents where the cause, by increasingly sophisticated technical investigation, has been attributed to a failure of a minute part of the instrument manufacture, leading to heavy damages.

To counter this, aviation product liability insurance is becoming big business, with London market once again the leading proponents of the class of activity. At a time when the damages involved in accidents can run to hundreds of millions of dollars, especially in the case of passenger deaths, U.S. courts, more and more, are deeming it prudent to

deem themselves in this way. Finally, a new class of aviation business is opening up in satellite insurance. The first communication satellite, Early Bird, was launched in 1965, the number of satellites all kinds launched into orbit has risen substantially, and it is likely to go on increasing.

Some of the individual programmes are enormous sums—the national-Intelsat V project of satellites for world tele- and telecommunications, for example, is assessed at \$1.5 billion, or more than the whole of Western world's insurable life programmes up to 1975. The insurance of loss of just one satellite is substantial—some \$200 million. According to the Agency's Orbital Test Satellite (OTS) being destroyed after launch. One major broker, C. F. Bowring, is up a subsidiary, C. F. Bowring Space Projects, to handle specialist work in this area which is seen as having unlimited potential in the ahead.

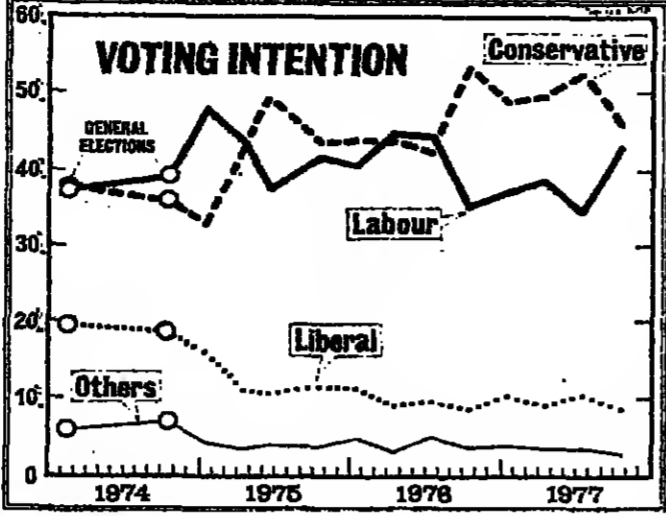
مكاتبنا الأصل

SOCIETY TO-DAY

Who needs the Tory Party?

QUESTION has to be the Conservative Party? Be-... what is the purpose of the Conservative Party? One answer was given by John Biffen M.P. on Sun-... a vigorous and successful... can only be built on... fruitful inter-marriage of... economics with an out-... looking patriotism," he... in a new pamphlet en-... Political Office or Poli-... Power? There is an ob-... and appealing link be-... self-reliance at home and... confidence abroad,"... on.

Stagnant It is true that about a year ago the Labour Government stopped banging the country's head against a brick wall, but its positive achievements are minimal. Our industrial production has been more or less stagnant since the present Government came to office: it is still at the level of the three-day week. One's distaste for the attitude of some Conservatives towards, say, Mr. Ian Smith is matched by one's distaste for the attitude of too many Socialists towards, say, the rights of individual members of trade unions. In short, a criticism of the Conservative Party is not the same thing as a call to vote Labour.



the fiscal profligacy of the 1973 Heath Government was outdone by the wild spending of the 1974 and 1975 Wilson Government, but the IMF has forced the halt that everyone knew was necessary. It is quite possible that some of the good will be undone over the next 12 months as the election approaches, but that too would be in tune with the established practice of Conservative govern-... To the extent that Conserva-... are now monetarists, the Labour Treasury is now moneta-... Mr. Biffen would like some de-nationalisation; the only example he can offer is the Labour Government's sale of £500m. worth of BP shares. Labour supports the closed shop; the official Conservative policy is to acquiesce in its existence. The Conservatives favour lower personal taxes; Labour too. Capital gains tax

the department concerned it-... self with money and adminis-... tration alone; now it is address-... ing itself to the quality of educa-... tion, from a starting point... that most parents, if not the... headmaster, would applaud.

The list of similarities between the parties is in fact so long that it may be more in the point to look for differences. First, the Conservatives would be less inclined to be interventionist, but this is no guarantee that they would not intervene as often as Labour. Second, they do not favour the Labour form of devolution to national assemblies, and third, they are committed to spend more on defence. Important as such differences may be, they are not the stuff of which election decisions are made. They do not tell us this party would take us down such-and-such a road while that party will take us down a quite different road.

U-turn I can best explain what I am getting at by pointing back to the Heath Government in its second 18 months—after the election would not be very far away—it would be due to the present Callaghan Government (for miners read firmness), but it was vilified on a scale that Callaghan does not have to endure except from the fact, acknowledged by Mr. Biffen, that "unless the Con-... servative Party can improve its



Mr. Biffen (left): liberal economics and outward-looking patriotism. Mrs. Thatcher: they do not represent party policy.

same aroused hatreds merely of Liberals and the Scottish Nationalists will form another do-nothing conservative administration. If that were to happen the Tories would very quickly learn the lesson of staking all on a meaningless victory by an overall majority. They might at that point begin to do some really serious thinking about British politics. My own preferred outcome to such thinking would be a commitment to constitutional change, including electoral reform. Mr. Biffen says that "it is political policies that have to be changed and not the constitution that has to be restructured." He presumably means a swing to "liberal economic policies" to a degree that his own party cannot accept. What we really need is a set of political policies that is in tune with majority opinion and not a cause of perennial disillusionment with all politicians. The present constitution and electoral arrangements are obstacles in the way of such policies winning through. A Conservative Party committed to removing those obstacles would have something positive to offer; without such a commitment it is not even a "bul-... work against Socialism."

Letters to the Editor

the steel ap Mr. D. Boyle. British Steel gives us a example of the uting of al and business impera-... To a way which makes it... impossible to find a... The net result is... sing losses and deteriora-... tions between the union... gement and government... gemental cause of the... situation is that the... national steel industry has... and is continuing to be... tured on an international... by both American and... ean steel industries are... at extent non-competitive... the larger more advanced... ed Japanese mills. The... oxt decade, however... kely that increasing steel... from the developing... will make it virtually im-... for any bulk steel pro-... to the West. Irrespective... scale of the investment... competitive. Certainly... tional measure of return... is are employed. It is not something new... the phenomena of jump... production has been... eered, in industries as... as textiles, footwear and... per electronics. In most... the measures usually pro-... sume: that the... mega is transient and... e can be handled by... for or import tariffs. Us-... tly this is not the case... these changes are... able and will be a feater... global economic scene... into the 1990s. It is special about the... industry: its situation is... its form" but judging by... relationship with much... e U.K.'s manufacturing... also: the employment... it provides. Therefore... comes to talking about... re rectify the enormous... in excess of £200m, and... the solution of rationalis-... id investment is opposed... political demands to pre-... employment. Polarisation... p these two viewpoints... e the steel trap. Clearly... are to escape from this... necessary to distinguish... the political necessities... e business logic of the... in. the business viewpoint... it is necessary to restruc-... a industry and provide... g to its overall... efficiency. At the... time, this should not be... e scale that assumes... e U.K. will be able to... a position as a world... supplier into the next... Investment plans of... er of £300-£100m, make... e from a pure economic... and therefore employ-... the industry is bound to... a political point of view... stum is, or rather should... to make the run-down... loyment in the industry... dy painful as possible... shape more importantly... go about providing new... ent opportunities for... ple so made available... by these are questions... have to be explicitly... ed, since there is abso-... doubt in most informed... minds that the old role... British steel industry has... ce. treating "British Steel... ex" the British Steel... tion has set up an... tion with the prime task... ing the job of employ-... m-down and alternative... eration. In the present... a this organisation should... more resources and... be made responsible for

getting the corporation out of the vicious circle of pres-... ventional employment. Which means an inability to change, which in turn leads to increasing losses. Denis Boyle. Scandinavian Institute for Administrative Research, 86, Prince Albert Road, N.W.2.

Takeovers and trusts

From Mr. W. Eberstadt. Sir, — I observe with concern, attempts to take over and liquidate investment trusts in Great Britain. Let me cite my reasons for this concern and suggest some solutions. The investment business does not lend itself particularly well to being conducted in giant units. In the past decade it has not been easy for anyone to penetrate the industry by American experience, large size has been a handicap rather than a help. In the U.S., stemming from the de-... appointments of size, major pension funds and other institu-... tional investors increasingly have come to retain a variety of investment managers on a fee basis to manage portions of these funds. Little appears to be known of the portfolios of the nationalised industries pension funds involved in these takeovers, let alone how they have fared in the markets in the past compared with the investment trusts they wish to take over. If major investment trusts disappear, the professional money manager will soon become an endangered species. Money management is not an outstandingly lucrative activity. It requires a fair-sized overhead. It takes years — sometimes generations — to assemble a team tested in good or bad times. In Great Britain it probably needs a few hundred million pounds under management to operate effec-... tively for one's clients and lever-... age by no means exorbitant — amount of money for one's own income needs. If the future of these investment managers be-... comes endangered, the British economy will lose a valuable asset. Last, but not least, the investment trusts in effect manage a significant portion of Britain's second-line foreign exchange reserves — the 30-40 per cent. invested by most of the overseas securities. One, of course, asks oneself what are the reasons for the dis-... count from break-up value which invite takeover operations. Inevitably the closed-end invest-... mental trusts managers in the U.S. are faced with a somewhat simi-... lar situation, though discounts tend to be smaller. The U.S. and some trusts, both in the U.S. and in Great Britain over. Poor per-... formance, or rather a prolonged period of time is one of the more obvious reasons. Another may

To-day's Events

GENERAL Prime Minister speaks at Institution of Production Engineers' annual dinner, Royal Lancaster Hotel, W.1. Mr. Denis Healey, Chancellor of the Exchequer, leaves Bonn and begins visit to Berlin. Mr. Li Libenz, Chinese Foreign Trade Minister, now in London, meets Mr. Edmund Dell, Trade Secretary. European Commission's first open discussions on nuclear energy begin, Brussels until December 1. Council of International Chamber of Commerce meets and is expected to consider proposals for worldwide business code of conduct to combat bribery.

Table with 2 columns: Period and Percentage Change. Rows include: First three banking months of calendar quarter 1977 (+1.5), First three banking months of calendar quarter 1976 (+0.3), First three banking months of calendar quarter 1975 (+2.3), Second calendar quarter of 1977 (+2.7), Financial Statistics, October 1977 (Table 7.1).

The move from the financial year to the calendar year would mean a change in the timing of the Budget, but a second Budget in the autumn is in any case becoming an established practice. Tax and expenditure changes can be, as they now are, presented at any time in the year in addition to Budget Day. At least the top 1,500 or so companies also made the calendar year their accounting year, as the majority of them already do, it would then become easier to reconcile their accounts with the national accounts for the company sector, and to calculate their tax liability in relation to both the when account year and the financial/calendar year. The timing of tax payments would not necessarily be affected. The change-over would not be easy and would require careful preparation, but the long-run benefits to the national system would, in my view, be worth repaying the cost many times over. Christopher Johnson, 39, Wood Lane, N.E.

MLR and new stock

From Mr. G. Jones. Sir, — Through advertisements in the Press, the Bank of England invited the public to subscribe for the new 10 per cent. Treasury Stock 1982 at 95.50 per cent. I applied on November 17, and was notified of my allotment on November 21. Within four days of receiving this notification, the Bank of England changed the Minimum Lending Rate upwards in a 40 per cent. jump, thus making the issue terms completely out of line and causing applicants an immediate 5 per cent. loss of capital with the new stock trading at about 44 points below the issue price of a few days before; put another way, this constitutes a loss of a complete year's net interest. I simply cannot believe that this change in MLR was not envisaged when the stock was issued last week, yet no mention was made in the advertised details of a possible impending change. If it had then either the issue would have met with the success of the terms would have had to be changed. Obviously if the Bank/Treasury were not in complete control of the MLR one might accept the situation, but they are, and the doubtless others, feel that we have been treated less than fairly if not duped. I am returning my allotment to the Government and asking for my savings back. G. A. Jones, Neurey Hill, Writtle, Nr. Chelmsford, Essex.

Bosch power makes independent. Bosch generating sets make you independent. Bosch-GENS supply you with electric power wherever and whenever you need it. Portable standby-generators are your own power supply for lighting, machine driving, air-conditioning, and heating. They provide progress, reliable output, long service life. Fully tested, mobile or stationary skid-mounted Bosch-Generating sets up to 100 kVA supply electricity around the clock. Even under extremely hot and dusty conditions. For full information and advice, please contact our Sole Agents and Distributors. There is nobody near you who is better informed about Bosch power. For special civil and military defense requirements, please contact directly. Robert Bosch GmbH Eisenam Division P.O. Box 2950 D-7000 Stuttgart 1 (West Germany) Telephone: 0711/619871 Telex: 07-23026 eisem d Cables: Eisenamwerke

BIDS AND DEALS

Palmer & Harvey agrees £1.4m for Lennons

Lennon Bros, the Warwickshire-based tobacco and confectionery wholesalers, has received an agreed bid from Palmer and Harvey, a privately owned company operating in the same field.

T. W. WARD SALE TO CLARKE CHAPMAN

In accord with previous statements with regard to subsidiary Thomas Smith and Sons (Rodley), T. W. Ward announced the sale of the fixed assets, stocks and work in progress of the company to Clarke Chapman for £1.45m.

STANDARD FIREWORKS BUYS BARTON PROPS

Standard Fireworks is to pay around £120,000 to take over Barton Properties, a private company which has one part-time employee and which manages tenanted properties, mainly in Huddersfield, Barton and Standard.

G. Dew in talks - shares jump 28p

The share price of G. Dew, the civil engineering and industrial building group, jumped 28p yesterday to close at 122p on the announcement that discussions were taking place which could lead to an offer being made for the company.

UNITED BISCUITS PURCHASE

United Biscuits (Holdings) and B.O.C. International announces that agreement has been reached for the acquisition by UB from B.O.C. of the subsidiary BOC Limited of the business of King Harry Foods, which manufactures frozen pizza products principally for the U.K. Sales are made under the King Harry brand name and also on a private label basis.

APPROACH TO REED & SMITH

Reed and Smith, the manufacturers, processors and merchandisers of paper in which the National Enterprise Board has a stake of almost 30 per cent., has received a take-over approach from an unnamed party. The Reed and Smith share price was suspended at the company's request, at a price of 38p - a level which places a market capitalisation on the company of £2.5m.

RIGHTWISE EXTENDS DEUNDI OFFER

Dunelm Marshall announces that its offer of October 31 made on behalf of Rightwise to acquire 375,120 Ordinary shares of Deund, which was due to expire on November 25 has been extended and will remain open for acceptance until December 9.

WINTOUR SAYS 'WAIT'

The directors of Wintour Holdings have issued a holding statement telling shareholders to take no action over the offer to take over the company by A. A. Clark. The terms of the offer are currently under consideration.

WM. EWART INVESTMENTS

On behalf of Reginald F. Clarke and Son, J. Balfour McGowan, and Mr. R. L. Stoupe (the offerors) announce that acceptances in respect of offers to acquire the capital of William Ewart Investments have been received in respect of 162,813 Ordinary shares (27.14 per cent.) and 41,198 Preference shares (20.60 per cent.). The offers remain open.

SONOCO/TPT

At meetings resolutions were passed approving the proposed scheme of arrangements for the acquisition by Sonoco Products Co. of the Ordinary shares of TPT not already owned by Sonoco or its subsidiary, TPT Investment Holding.

Bainbridge Engineering Limited. Manufacturers of aluminium canopies, prefabricated roofs, ceiling traps, steel lintels, up-and-over garage doors. At a meeting of the Directors held on Friday (25th November 1977) the Board announced an Interim Dividend of 0.6 pence per share for the half year ended 30th September 1977 to be paid on January 1978 to shareholders on the Register at the close of business on the 9th December, 1977.

United Newspapers Limited. Share Registration. Hill Samuel Registrars Limited has been appointed Registrar of United Newspapers Limited as from 1st December, 1977. All correspondence regarding registration or transfer of shares should in future be addressed to: Hill Samuel Registrars Limited, 6 Green Coat Place, London SW1E 1PL, Telephone 01-638 6321.

BRADY INDUSTRIES LIMITED. INDUSTRIAL DOOR MANUFACTURERS. INTERIM REPORT FOR THE SIX MONTHS TO 30th SEPTEMBER, 1977. Turnover 1977/78 £809'5, 1976/7 £590'5. Net profit (stated after deducting depreciation, audit fees, Directors' remuneration and interest charges) £80, 1977/78 £31, 1976/77 £29.

HAT GROUP LIMITED. Suppliers of specialist services to the construction industry. Interim Report for the Half Year to 31st August 1977. 6 months ended 31.8.77 (unaudited) £000's 31,277. 6 months ended 31.8.76 (unaudited) £000's 29,000. Turnover 32,000. Profit before tax 1,140. Profit attributable to members 790.

THE BRITISH INVESTMENT TRUST LIMITED. See Page 36.

Trust and Agency in talks

Trust and Agency Company of Australasia, the financial company which was formerly part of the Lawson empire, is having talks with an unnamed financial group which might result in a takeover offer. Shares in the company, whose equity is almost one-third owned by Commercial Union, were suspended yesterday at 145p.

GLENLIVET/SEAGRAM

No news is expected from Glenlivet Distillers before Thursday concerning the approach from Seagram. Mr. Iwan Straker, chief executive of Glenlivet, said yesterday that the Board is busy putting

Palmer & Harvey agrees £1.4m for Lennons

The deal highlights the disparity which sometimes occurs between the stock market value of a company and its value in the eyes of a purchaser with a special interest. Prior to the bid announcement Lennon's shares were standing at 77p, which valued the company at £231,000. Palmer is offering £4.87 per share at which level the company is valued at £1.4m.

S. JEROME BUYS CARRINGTON VIVELLA OFFSHOOT

Agreement has been reached in principle between S. Jerome and Sons (Holdings) and Carrington Vivella for the acquisition by Jerome of the capital of H. Armitage and Company (Eccles), a wholly owned subsidiary of Carrington and the freehold property occupied by Armitage. The total consideration (after adjustment for the Carrington intra group loan account) will be £240,000 to be satisfied in cash out of Jerome's own resources on completion.

MAGNET & SOUTHERNS

Magnet and Southern has acquired through its wholly owned Dutch Golden company Southern-Southern Mediterranean B.V. - the capital of Hootbaandel W. de Vries B.V., a timber merchants business based at Helmond in Holland.

LAFARGE

Details of the Scheme of Arrangement under which the French company Lafarge is to take over the 45 per cent. of Lafarge Organisation which it does not already own, were sent to shareholders yesterday. Briefly, Lafarge is buying back control of its profitable Lafarge Fonds International and a staff consortium at LO is taking over the rump of LO in the U.K. The consortium is to pay

NCB/BIT

In advising shareholders that a guaranteed minimum of 165p share has been put on the value

City and International Trust Limited

Directors: B. A. C. Whitmee, F.C.A. (Chairman), B. R. Bassett, The Rt. Hon. Lord Boyd-Carpenter, P.C., Sir John S. P. Mellor, Bart., Desmond A. Reid, Sir Robert Clark, The Rt. Hon. Lord Remnant, F.C.A.

Performance statistics table with columns for Year ended 31.8.77 and Ten years ended 31.8.77. Rows include Net asset value (+21% vs +108%), Middle market price (+35% vs +81%), Rate of dividends (net) (+23% vs +226%), Retail Price Index (+17% vs +198%), Distribution of investments at 31st August 1977 (Equities and convertibles U.K. 64.1%, Overseas 30.1%, Fixed income 5%), and Extract from the Chairman's statement.

Our present revenue estimates are running at a higher level than last year and we expect to be able to recommend a further increase in the dividend for the current year. Copies of the Report and Accounts can be obtained from Philip Hill (Management) Limited, 8 Waterloo Place, London SW1Y 4AY.

The Council of The Stock Exchange has admitted to the Official List the whole of the £12,000,000 City of Leeds Floating Rate Stock 1982 ("the Stock"). The application list will open at 10 a.m. on 14th December, 1977 and will be closed later on the same day.

CITY OF LEEDS Morgan Grenfell & Co. Limited Offer for Sale £12,000,000 City of Leeds Floating Rate Stock 1982 at £100 per cent. payable in full on application

Interest free income tax will be payable half-yearly on 28th May and 28th November. Interest amounting to £120,000 will be paid on the last day of the half-year commencing 28th November, 1977 will be paid on 28th May, 1978.

AGREEMENT WITH MORGAN GRENFELL & CO. LIMITED. On 28th November, 1977 the Council entered into an Agreement with Morgan Grenfell under the terms of which the Council agreed to offer for sale the whole of the Stock at a price of £100 per cent. Copies of this Agreement are available for inspection during usual business hours up to and including 22nd December, 1977 at the offices of Morgan Grenfell, New Issue Department, 4, Theobalds Avenue, London, E.C.1, and at Leeds, City Council, Department of Finance, Civic Hall, Leeds, 1.

CITY OF LEEDS Offer for Sale by MORGAN GRENFELL & CO. LIMITED £12,000,000 CITY OF LEEDS FLOATING RATE STOCK 1982 AT £100 PER CENT. PAYABLE IN FULL ON APPLICATION

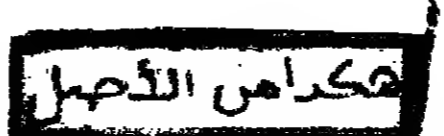
Application Form. The application form, together with payment in full, should be lodged with Midland Bank Limited, New Issue Department, Marine House, Poppy Street, London, E.C.3A not later than 10.15 a.m. on Thursday, 14th December, 1977. Postal applications should be made by first class mail.

Table with columns for Nominal amount of Stock for which application is made and Amount enclosed at £100 per cent.

Applications must be for a minimum of £100 of Stock and must be in multiples of £100 of Stock up to £1,000 of Stock, in multiples of £500 of Stock up to £5,000 of Stock, in multiples of £1,000 of Stock up to £10,000 of Stock, in multiples of £2,000 of Stock up to £20,000 of Stock. The right is reserved by Morgan Grenfell & Co. Limited to restrict Midland Bank Limited (B) to present all cheques for payment and to retain the definitive Stock Certificate and surplus application monies pending clearance of applicants' cheques and (2) to reject any application or to accept or refuse any application in part or to accept or refuse any application in part or to accept or refuse any application in part or to accept or refuse any application in part.

IMPORTANT - To comply with the provisions of the Exchange Control Act, 1947, the Applicant(s) must make the Declaration contained in the following paragraph, or if it is unable to do so, must declare such person and arrange for the Application to be lodged through an Authorised (depository) or an Approved Agent in the Republic of Ireland. No Application can be considered unless this condition is fulfilled.

EXCHANGE CONTROL ACT 1947. Authorised Persons, are in the current issue of the Bank of England's Notice No. 1 and include banks, stockbrokers and Solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man.



Profit-taking cuts index back 4.8 \$ very weak

Trading was rather quiet but following increased buying interest in a fairly tight market. Most currencies were fairly steady before the news, and nervous, ahead of the announcement of the U.S. trade figures for October.

OUR WALL STREET CORRESPONDENT

RECENT rally movement October 1, was much larger than that reported before the figure was reported. Among Computer and Electronic stocks, Honeywell declined \$1.10 to \$35.75, Datacube \$1.00 to \$33.00, and Texas Instruments \$1.00 to \$37.00.

TODAY'S ACTIVE STOCKS

Table with columns for Stock Name, Price, Change, and Volume. Includes stocks like IBM, GE, and Ford.

OTHER MARKETS

Canada Stock Markets improved sharply yesterday in response to a rise in the Toronto Composite Index.

Indices

Table of various stock indices including NYSE-Dow Jones, NYSE Composite, and others, with columns for Nov 25, Nov 26, Nov 27, and Nov 28.

OTHER MARKETS

BRUSSELS—A mixed trend prevailed in quiet conditions. Fabrique Nationale crept up \$0.60 to \$25.30 and Solvay Fr. \$2.50 to \$25.00.

OTHER MARKETS

AMSTERDAM—Market hardened in a light turnover. Royal Dutch led Dutch Inter-nationals \$1.50 higher, while Transports had Van Ommersco

OTHER MARKETS

Stocks remained easier — inclined in a slow

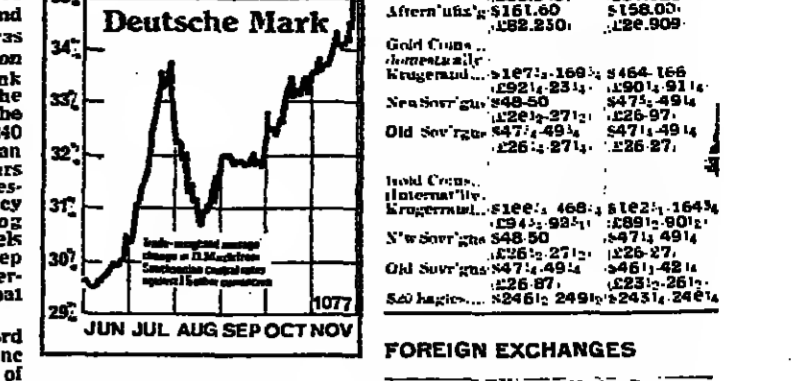
OTHER MARKETS

STOCKHOLM—Market made a bright showing, with Cellulose adding \$1.00 to \$19.40 and the Swiss franc touched a record level of Sw.Frs.2.140, compared with Sw.Frs.2.132 on Friday.

OTHER MARKETS

VIENNA—Irregular in continued quiet activity. Veltendorfer Magasin rallied 4 points to 217. COPENHAGEN — Insurance, Commodities, Shippings and Ind-

OTHER MARKETS



CURRENCY RATES

Table of currency exchange rates for various countries including Australia, Brazil, Canada, and others.

OTHER MARKETS

Argentine 100:1,000.3, Argentina 990:1000

EXCHANGE CROSS-RATES

Table of exchange cross-rates for various currencies like Frankfurt, London, and Zurich.

OTHER MARKETS

U.S. & in Toronto U.S. \$1:102.96 Canadian dollar

EURO-CURRENCY INTEREST RATES

Table of Euro-currency interest rates for various banks and currencies.

FORWARD RATES

Table of forward rates for various currencies and time periods.

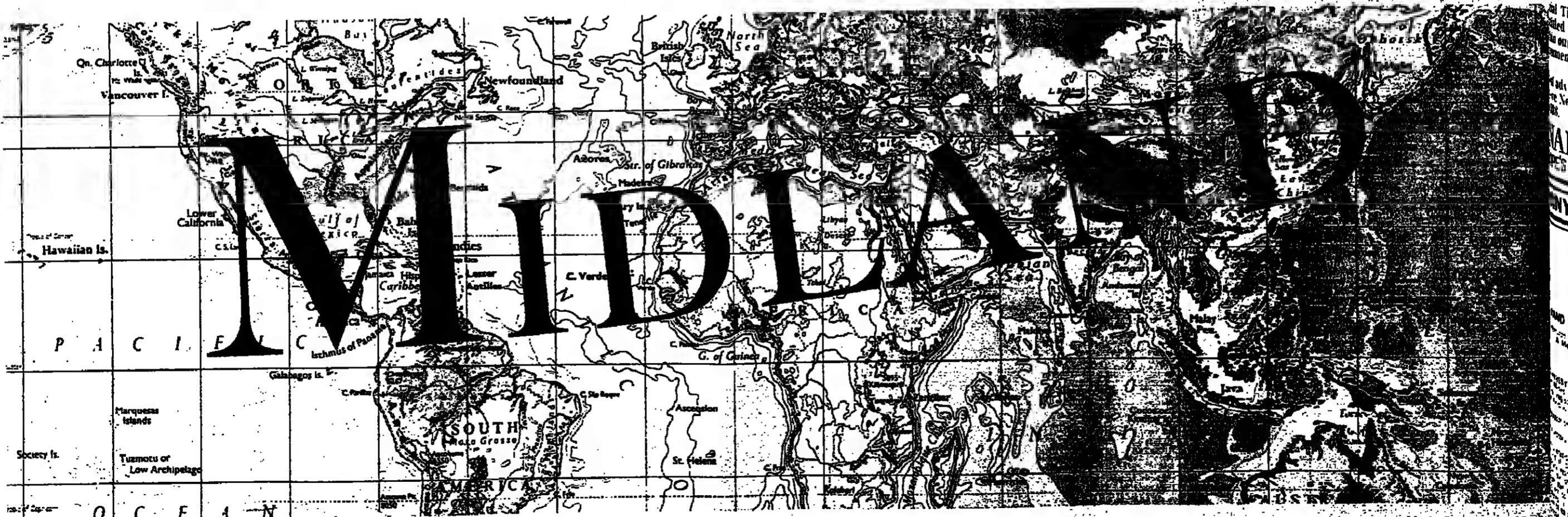
OVERSEAS SHARE INFORMATION

Large table of overseas share information with columns for Stock Name, Price, Change, and Dividend. Includes sections for NEW YORK, CANADA, AMSTERDAM, COPENHAGEN, VIENNA, TOKYO, AUSTRALIA, BRAZIL, PARIS, SWITZERLAND, and STOCKHOLM.

We deliver.

Eurocurrency finance: You will find our approach to your needs imaginative and our terms hard to beat. We will give you a prompt yes or no on whatever you require. Cut red tape to a minimum. And make sure documentation isn't a waste of your time.

TESTUS: Contact George Barrett our Corporate Finance Director. Tel. London 606 9944, ext. 4210, telex 888401, or write, Midland Bank Limited, International Division, 60 Gracechurch Street, London EC3P 3BN, England.



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Better times ahead for meat producers

THE RECENT decline in cocoa prices... The Aberdeen team suggests that following the reduction in the pig breeding herd this season, pig farmers should expect an average price increase during 1978 of about 11.70 a head...

Good beginning for main winter wheat crops... The Wheat Council has reduced its estimate of 1977 wheat output but the total is expected to be the second highest ever... The IWC now agrees with the U.S. Department of Agriculture (USDA) that 1977 wheat output will total 80m tonnes...

New lows in cocoa market... THE RECENT decline in cocoa prices resumed on the London futures market yesterday with nearby positions falling to new 10-month lows... January delivery cocoa ended the day at 256.50 lower at 1,925.25 a tonne...

power, should lead at last in price rises... From current levels around 550 a tonne, fat cattle prices are expected to rise to 67p by June, and although there will be the usual seasonal slump in the autumn, it should not be so marked as this year's...

Copper and lead buying fits prices... Our Commodities Staff REPORTS that the L Union was once more busy in the copper market... Lead prices were also busy in the copper market...

Moves to underpin beef market... THE BRITISH Government has taken emergency action to push up the price of beef... The Ministry hopes that the intervention Board will take in surpluses which are depressing farmers' prices...

London tea auctions ban 'unlikely'... By Our Commodities Staff SUGGESTIONS that the Indian Government might ban sales of Indian tea at the weekly London auction were dismissed yesterday...

Frozen birds... The supply of lambs in the first quarter of 1978 will probably be 3 per cent down on last winter... The authors note that although an EEC agreement has been reached...

hale catch of whiting... The whaling season has been extended by the International Whaling Commission... The whaling season has been extended by the International Whaling Commission...

More elms die as disease races North... DUTCH ELM disease has killed another 2m elms in the south of Britain during the past 12 months... The disease is spreading rapidly in the North...

London tea auctions ban 'unlikely'... By Our Commodities Staff SUGGESTIONS that the Indian Government might ban sales of Indian tea at the weekly London auction were dismissed yesterday...

Cold and floods hit NZ lambs... THERE WILL BE a shortage of new season New Zealand lamb in the UK over Christmas... The Board stressed yesterday that there were ample supplies of old season New Zealand lamb to store in Britain...

COMMODITY MARKET REPORTS AND PRICES. Table with multiple columns for various commodities like metals, coffee, rubber, grains, cocoa, silver, wool, and meat. Includes prices and market commentary.

FINANCIAL TIMES Commodities Appointments. Financial Times proposes to publish a new title entitled Commodities Appointments to read within our regular Thursday Appointments...

FINANCIAL TIMES EUROPE'S BUSINESS PAPER. Details of advertising in this new section. Steve Nevitt or Mike Hills on 01-248 3000 or 581 or 588.

PRICE CHANGES. U.S. Markets. Soyabeans and grains end weaker. PLATINUM PRICE. Table with columns for price changes and U.S. market data.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Montedison resignation

BY PAUL BETTS

A FURTHER shake-up in the top management of Italy's crisis-ridden chemicals conglomerate, Montedison, surfaced here tonight with the surprise resignation of Signor Alberto Grandi, the company's senior vice-chairman.

It is understood that Sig. Grandi was dismissed with his area of responsibility following a reorganisation of senior management functions after the resignation earlier this year of the Montedison chairman, Sig. Eugenio Cefis.

Minister, who succeeded Sig. Cefis, is to take over Sig. Grandi's executive responsibilities temporarily, presumably pending a further reorganisation of the top management structure.

NORTH AMERICAN NEWS

Hudson's Bay profits fall

BY JAMES SCOTT

TORONTO, Nov. 25.

HUDSON'S BAY Company had profits for the nine months ended October 31 of \$68.5m, or 60 cents a share compared with \$68.6m, or 62 cents a share for the comparable period last year.

quarter improved over the comparable period last year, reflecting a continuation of the trend in the first six months.

guardedly optimistic that Christmas sales will be buoyant.

Setback for NYSE members

NEW YORK, Nov. 25.

NEW YORK Stock Exchange member firms' total net profit fell to \$30.5m, in the third quarter, from \$90.4m, in the same 1976 period, the NYSE said, Reuter reports.

Of the 384 firms reporting for the nine months 278 had profits and 106 losses.

is the sum of their subordinated debt and stockholder equity, or partnership capital.

AT and T appeal

BY DAVID BELL

WASHINGTON, Nov. 25.

The U.S. Supreme Court today removed the legal obstacle that has been hindering up the Government's prosecution of American Telephone and Telegraph (AT and T) in one of the largest anti-trust suits ever filed in the United States.

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District Court to hear the case. The suit charged AT and T and its manufacturing subsidiary Western Electric with monopolising telecommunications services and equipment, and urged the company to divest itself of its long lines department to the extent that this is necessary to encourage competition.

EUROBONDS

Two more £ bonds launched

By Francis Ghiles

CONTRARY to some expectations, two further sterling bonds (£ bonds) were launched yesterday. Fisons International Financing NV is raising £10m, for 10 years with an indicated coupon of 10 per cent.

Meanwhile the European Investment Bank (EIB) is raising £25m, for 15 years on an indicated coupon of 9 1/2 per cent.

A purchase fund will start in the first year and operate quarterly. If fully used it will give the bonds an average life of 11.09 years.

World turnover, which had risen by a disappointing 2.1 per cent, during the first half of the year, showed growth of only 1.2 per cent, for the first three quarters of 1977, totalling DM17.2bn (£4,320m), compared with DM17.18bn, in the opening nine months of 1976.

The picture at Hoechst AG was even more gloomy. Against the comparable period of last year, sales actually fell 1.3 per cent, to DM7,248m.

Hoechst's world pre-tax profits fell back from DM860m, in the comparable period of 1976 to DM825m.

Utilisation of production capacity at the parent's plants declined to an average of 69 per cent, in the opening months of the year it was running at a far more healthy 80 per cent.

GERMAN NEWS

Hoechst setback extends to 16%

BY GUY HAWTIN

HOECHST, the last of West Germany's "big three" chemical concerns to report on the first three quarters of 1977, has seen pre-tax earnings plunge by 15.5 per cent. Pre-tax profits of Hoechst AG, the parent, declined by 19 per cent.

Like its competitors BASF and Bayer—whose pre-tax setbacks were 18.6 per cent and 6.1 per cent, respectively—Hoechst has been hit by the decline in the value of the dollar and the subsequent increase in Deutsche marks party against the currencies of its leading trade partners.

At home, there has been strong competition from imported chemical products, which have received a strong boost from the appreciation of the D-mark.

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Utilisation of production capacity at the parent's plants declined to an average of 69 per cent, in the opening months of the year it was running at a far more healthy 80 per cent.

short-term working affecting 3,500 workers.

Performance varied greatly from sector to sector, but the net cause of the decline was to be found in the fibres and filaments branch. Here there had been a particularly sharp decline, not least because of the very poor state of the textile industry.

What the report did not spell out was the effect of the dollar's decline on the D-mark conversion.

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Although this is small comfort to shareholders looking forward to D-mark dividends, it seems fair to argue that figures are by no means as bad as the report suggests.

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industry. On the positive there was a small decline in inflation rate, said the report.

Bundesbank policy had led to a lowering of interest levels in the credit markets and, as a result, interest on short-term credit by about a further 1 per cent since the beginning of the year.

Interest margins in the year were somewhat under average for 1976. However, business' earnings increased, and interest earnings rose to DM1.8m, or DM96.2m, as more powerful increases in earnings from other services.

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BHF business volume rises

BERLINER Handels- und Finanzbank (BHF) reports a successful first nine months

despite unsatisfactory interest rates. Since the end of 1976, the bank's balance sheet total has increased by 5.7 per cent to DM6,780m (€1,630m).

The year to date has not been without problems in the third quarter of the year there was a decline in the growth rate of the bank's business volume which in the first half of the year was a result of the sale of its own home currencies.

Thyssen dividend reprieved

BY JONATHAN CARR

DESPITE the exceptionally poor national level, in detail, the state of the market, report reveals that Thyssen's year and the number of shares with bulk on short time is increasing.

On the other hand the company's special dividend programme for this year, which was announced in the second quarter, will be paid in full.

Thyssen's trading emphasis lies on rationalisation and modernisation in the steel industry.

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New rescue package for SGI

BY OUR OWN CORRESPONDENT

A NEW PACKAGE for the troubled company by one of Italy's largest private financial empires, the Pesenti group, appears to have been put together. This latest salvage plan is reported to involve an eventual take-over of the troubled company by one of the parent's financial empires, the Pesenti group.

Representatives of the Milan financier, Sig. Carlo Pesenti, are in effect now said already to have arranged the deal, which, however has yet to be approved by the Bank of Italy.

Negotiations for the sale are reported to have been conducted by the chairman of SGI, Sig. Arcangelo Belli, and Sig. Carlo Aniasi, who is understood to be acting on behalf of the Pesenti group which includes the Italian cement and italmobiliare companies.

According to some reports, the deal would involve the banks which have extended credits to SGI converting some L35,700 (about £24m) of bonds into new SGI shares. These new shares would then be sold to a holding company, two-thirds owned by the Pesenti group, which would gain control of the troubled property company.

At the same time, however, the banks would also agree in grant a moratorium on all outstanding SGI debts until the early 1980s, and furthermore would extend any additional credit the company might require. For its part, the Pesenti group would provide some L200m of fresh capital into SGI by 1979.

Ronsselot expects higher profits

PARIS, Nov. 25.

ON THE expectation that net profits will increase to Frs.42m, from Frs.30m, in 1977, Ronsselot SA, whose shares were requoted on the Paris bourse last Friday, will raise its interim dividend by Frs.4 to Frs.251. A total of Frs.45 was paid for 1976.

The dividend decision was taken by the Board following an extraordinary general meeting of shareholders which approved the suppression of a company, statutory limiting each shareholder to a maximum of 8,000 votes whatever his holding.

When suspended by the Paris bourse back in July, Ronsselot was trading at Frs.340.

Interest link with Credit Factoring

CREDIT LYONNAIS said its subsidiary Societe d'Etudes et de Représentations pour le Commerce International (Intercom), has taken a stake in Credit Factoring International SA by subscribing exclusively when the company raised its capital in Frs.1.5m, from Frs.1m, reports Reuter from Paris.

The company is a subsidiary of Credit Factoring International, itself 100 per cent owned by National Westminster Bank, it said.

The Association will take full effect from January 1, 1978.

Advertisement for SGI rescue package, including text: 'It was also announced that Condotta d'Acqua SPA shares will be quoted again on the forward market from today after their recent restriction to the cash market.'

Advertisement for EMPRESA ELECTRICA QUITO S, including text: 'US \$20,000,000 Private Placement' and 'THE REPUBLIC OF ECUADOR'.

Advertisement for LIBRA BANK LIMITED, including text: 'SWISS BANK CORPORATION' and 'Negotiable Floating Rate U.S. Dollar Certificates of Deposit'.

Advertisement for The Mitsubishi Bank Limited, including text: 'Negotiable Floating Rate U.S. Dollar Certificates of Deposit' and 'Maturity date 28 November 1980'.

Large advertisement for Kingdom of Sweden bonds, including text: '\$200,000,000 Kingdom of Sweden', '\$100,000,000 8 1/2% Bonds Due 1987', '\$100,000,000 9% Bonds Due 1997', and a list of participating financial institutions.

Handwritten Arabic text at the bottom of the page.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

\$500m. consortium loan package for Indonesia

BY H. F. LEE SINGAPORE, Nov. 28. IT RECORDED AN overall balance of payments surplus of \$11m. against a deficit of \$364m. in 1976. The two original loans also suffered technical default arising from payments Indonesia allegedly owed on disputed loans (LIBOR). The new loan, however, will start on a clean slate. Some 14 banks have been invited to join the consortium...

OPEC's investment seen at \$200bn.

BY Francis Giles FOREIGN INVESTMENTS OF countries belonging to the Organisation of Oil Exporting Countries (OPEC) will amount to over \$200bn. by the end of this year, according to projections published by Morgan Guaranty Trust in the latest issue of its monthly World Financial Markets. OPEC countries' external debt will amount to \$50bn. and their external assets to \$155bn. by the end of the year. Net assets amounted to \$50b. four years ago before the increase of the price of oil.

South African engineers report mixed fortunes

BY RICHARD ROLFE JOHANNESBURG, Nov. 28. TWO LEADERS in the South African engineering sector have reported mixed fortunes in the figures for the 12 months to September 30, the month being that the mining-linked engineering firms are still able to earn the most buoyant profits. African Oxygen, controlled by BOC, has reported turnover down from R143m. to R132m. while pre-tax profits have risen up from R15.8m. to R17.4m. Earnings per share have moved ahead from 29.1 cents to 31.8 cents and the dividend has been raised 2 cents to 14 cents for the year, which puts the shares, a strong market recently at 185 cents, on a yield of 7.6 per cent.

Wearne drives up earnings

BY H. F. LEE SINGAPORE, Nov. 28. LEADING LOCAL motor trader, Wearne Brothers, has turned in its best-ever performance with group pre-tax profits rising 78 per cent in 1977. The group profit for the year ended September 30, 1977, was \$11.7m. The company is to make a one-for-two bonus issue which will take its capital up from \$54.5m. to \$86.7m. Turnover rose 20 per cent. to a record \$229.5m. On an after-tax basis, group profit rose at a slightly lower rate of 59.2 per cent. to \$14.6m., reflecting a higher taxation charge—48 per cent. against 42 per cent. Wearne has disclosed that it has changed its accounting treatment of interest on hire purchase transactions with effect from October 1, 1976 to an accrual basis. Interest on such transactions are now credited to the profit and loss account using the sum of the digits method, unlike previously when they were recognised only after all the instalments have been received. Arising out of this change, the pre-tax profit has decreased by \$117,000. However, the cumulative effect of the change as at October 1, 1976—amounting to \$310.6m. less attributable tax of \$55.1m.—has been transferred to general reserve and is, hence, not reflected in the latest report. In addition, Wearne reports an extraordinary surplus of \$266,000 arising from the sale of a property. The group has disclosed that in 1976 an independent professional valuation of its properties showed a surplus over book values of \$577m. However, the directors have decided to take up in its books as at September 30, 1977 a revaluation surplus amounting to \$272m., subject to the approval of the relevant authorities.

Australian take-over moves

BY JAMES FORTH SYDNEY, Nov. 28. TAKEOVER ACTIVITY continues to dominate the Australian corporate scene. The acquisitive Adelaide Steamship led the action to-day when it announced an increase in its offer price for importer and merchant, Abel Leman, from \$A1.00 to \$A1.15 a share. The Abel Leman directors said they intended to recommend acceptance. At the same time Adelaide's opponent in the struggle for control of the engineers, Luke Ltd. dropped out, leaving the way clear for Adelaide. NKS (Holdings) made a formal offer under the Companies Act of \$A1.75 a share for Luke, but Adelaide, which already held 17 per cent, countered by buying on the market. Adelaide now holds 44 per cent, and is clearly in control, but has withdrawn from the market and has stated that it has no intention at present of extending an offer to all shareholders. On another front, the Perth-based Coventry Replacers topped the LNC Industries offer for the Adelaide-based Consolidated Auto Parts. The offer is two Coventry shares for each five Capco shares, 20 cents for each Capco share, which values Capco shares at \$A1.38 compared with ENC's offer of \$A1.10 each. The major shareholder of Capco, the Southern family, intends to accept the Coventry offer. The Southcoats control almost 60 per cent of Capco's capital. In another move, the managing director of Davico Industries to-day announced an offer for the remainder of the capital, but excluded the 29 per cent held by Vulean Industries. Davico's managing director, Mr. Graef Reel, is offering 50 cents a share. He already controls 41 per cent of the capital, which means he is seeking another 30 per cent. Vulean last year was defeated when the Japanese group Kifune bought on the market. Kifune, which has a long-standing trading link with Davico, recently sold to Mr. Reel. The discriminatory terms of the offer appear to breach the listing regulations of the stock exchange. A similar situation arose in 1974 when Comenz Holdings and Australian National Industries were battling for control of Bradford Kendall, Comenz which excluded shares held by ANI but withdrew the bid after the Sydney Stock Exchange threatened to suspend trading in Vulean Industries.

Yen rise affects Matsushita

BY DONALD MACLEAN MATSUSHITA Electric Industrial Company, the electric appliances concern, will show reduced parent company earnings in the first half, to May 20, of its current financial year — from ¥23,185m. in the first half of 1976-77—mainly as a result of the sharp rise in the value of the yen in the foreign exchanges, according to a company statement. The statement stressed that the rise in the yen would adversely affect export business — which accounts for 25 per cent. of total sales. Export contracts brand names, and in the rest of the world under the "National" were expected to fall by some 10 to 20 per cent. The parent company profits of ¥23,185m. in the first half of last year were made on a sale of ¥700,333m. Consolidated net profits in the first half of the 1976-77 year were substantially higher than those of the parent company — amounting to ¥38,800m. — mainly on sales of ¥23,620m. in the yen video disc plant the U.S. and Canada under the Page 8.

Japanese companies' results for half-year to September 30

Table with columns: Company Name, Net profits 1977, Net profits 1976, Operating income 1977, Operating income 1976, Interim dividend 1977, Interim dividend 1976. Rows include Chubu Electric Power Co., Kansai Electric Power Co., Shikoku Electric Power Co., Tokyo Electric Power Co.

extends Porsche projects substantial growth with IHF business volume rises dividend reports

ld Storage packages 13.2m.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS. Table listing various bond prices and yields.

Canon Inc. (Canon Kabushiki Kaisha) 7 1/2 per cent. Convertible Debentures due 1989. NOTICE IS HEREBY GIVEN that on 31st January, 1978 ("the Redemption Date") CANON INC. will redeem all its outstanding 7 1/2 per cent. Convertible Debentures due 1989 ("the Debentures") at a price of 104 per cent of the principal amount thereof plus accrued interest thereon from January 1, 1978 to the Redemption Date (amounting to US \$6.46 per US \$1,000 principal amount of the Debentures). The total amount payable in respect of each Debenture of US \$1,000 will accordingly be US \$1,046.46 and payment of the redemption moneys will be made by CANON INC. at the office of the Principal Paying Agent and of the Paying Agents listed below.

Konishiroku Photo Industry Co., Ltd. 12,000,000 Shares of Common Stock (par value ¥50 per share) evidenced by European Depositary Receipts. ISSUE PRICE U.S. \$1,989 PER SHARE (equivalent, at the rate of exchange adopted for the purpose, to ¥490 per Share). Nomura Europe N.V., Morgan Stanley International Limited, Crédit Lyonnais, Pierson, Helder & Pierson N.V., Westdeutsche Landesbank Girozentrale, Abo Dhabi Investment Company, Algemeen Bank Nederland N.V., Amex Bank Limited, Amsterdam-Rotterdam Bank N.V., Associated Japanese Bank (International) Limited, Bache Halsey Stuart Shields Incorporated, Banca Commerciale Italiana, Banca del Gottardo, Banca Nazionale del Lavoro, Banco di Roma, Bank of America International, Bank Julius Baer International, Bank Leu International Ltd., Bank Mees & Hope NV, The Bank of Tokyo (Holland) N.V., Bankers Trust International Limited, Banque Bruxelles Lambert S.A., Banque Française du Commerce Extérieur, Banque Générale du Luxembourg S.A., Banque de l'Indochine et de Suez, Baopqa Internationale à Luxembourg S.A., Banque Nationale de Paris, Banque de Neufz, Schlumberger, Mallet, Banque de Paris et des Pays-Bas, Banque Rothschild, Banque de l'Union Européenne, Banque Worms, Barclays Bank International Limited, Baring Brothers & Co., Bayerische Vereinsbank, Berliner Handels- und Frankfurter Bank, Blyth Eastman Dillon & Co. International Limited, James Capel & Co., W. I. Carr, Sons & Co. (Overseas) Ltd., Cazenove & Co. (Overseas), Chase Manhattan Limited, Christiania Bank og Kreditkasse, Citicorp International Group, Commerzbank Aktiengesellschaft, Compagnia Montepasque de Banque, County Bank Limited, Crédit Commercial de France, Crédit Industriel et Commercial, Credit Suisse White Weld Limited, Daiwa Europe N.V., Dea norske Creditbank, Deutsche Girozentrale - Deutsche Kommunalbank, Deway at Associates International S.C.S., Dillon, Read Overseas Corporation, Dresdner Bank Aktiengesellschaft, Drexel Burnham Lambert Incorporated, European Banking Company Limited, First Boston (Europe) Limited, Robert Fleming & Co. Limited, Goldman Sachs International Corp., Hambros Bank Limited, Hesseische Landesbank - Girozentrale, Hill Samuel & Co. Limited, E. F. Hutton & Co. N.V., IBJ International Limited, Jardine Fleming & Company Limited, Kleinwort, Benson, Kredithank S.A. Luxembourg, Kuhn, Loeb & Co. Asia, Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.), Kuwait International Finance Company S.A.K. "KIFCO", Kuwait International Investment Co. s.a.k., Kuwait Investment Company (S.A.K.), Lazard Brothers & Co. Limited, Lazard Frères et Cie, Lloyds Bank International Limited, Manufacturers Hanover Limited, Merrill Lynch International & Co. Limited, Mitsubishi Bank (Europe) S.A., Samuel Montagu & Co. Limited, Morgan Grenfell & Co. Limited, Nederlandsche Middenstandsbank N.V. Limited, Nederlandse Creditbank N.V., New Japan Securities Co., Ltd., The Nikko Securities Co., (Europe) Ltd., The Nippon Kangyo Kakumaru Securities Co., Nomura International (Hong Kong) Ltd., Okasan Securities Co., Ltd., Sal. Oppenheim Jr. & Cie, Orion Bank Limited, Osaka Securities Co., Ltd., Peterbroeck, Van Campenhout, Kempen S.A., Rothschild Bank AG, N. M. Rothschild & Sons Limited, Salomon Brothers International Limited, Sanwa Bank (Underwriters) Limited, Saoye Securities Co., Ltd., Schroders & Chartered Limited, Singapore Nomura Merchant Banking Limited, Singer & Friedlander Limited, Skandinaviska Enskilda Banken, Smith Barney, Harris Upham & Co. Incorporated, Société Bancaire Barclays (Suisse) S.A., Société Générale, Société Générale de Banque S.A., Strauss, Turnbull & Co., Svenska Handelsbanken, Taiyo Kobe Finance Hong Kong Limited, Trident International Finance Limited, Trinkaus & Burkhart, U.B.A.N.-Arab Japanese Finance Limited, Vereins- und Westbank Aktiengesellschaft, Vickers, de Costa International Ltd., Wako Securities Company Limited, S. G. Warburg & Co. Ltd., Wardley Limited, Wood Gundy Limited, Yamazaki International (Europe) Limited, Yamatane Securities Co., Ltd.

Uninspiring start to new Account as doubts persist
Share index down 1.5 at 464.5 after 462.2—Gilts easier

Account Dealing Dates
*First Declared Last Account
Dealings Dealings Day
Nov. 14 Nov. 24 Nov. 25 Dec. 6

While setting some of the recent background uncertainty in the monetary field, last Friday's rise of 2 per cent to 7 per cent. in Minimum Lending Rate left several longer-dated Corporations Stock Markets with some doubts

Consequently, business remained extremely small and official markings of 4.57 were the lowest for the first day of a new Account this year.

Gilt-edged made an attempt to resume Friday's rally but soon turned off and closed with a fall of 1/8, the bulk of the setback reflecting the late afternoon announcement of the biggest-ever monthly trade deficit in the U.S.

The mixed pattern of price changes overall was seen in the narrow majority, 11-to-10, in rises but 8 in falls in FT-quoted equities

Gilts react late
Reflecting Friday's steadier trend, the market in British Funds began slightly firmer but early demand was soon satisfied and gains of about 1/8 were erased.

and lowered the long by 1/2. In an effort to find a trading level, the long top Treasury 10 per cent, 1982, was adjusted downwards and eventually closed with an exceptional loss of a full point at 80.

Arbitrage selling initially lowered rates for investment currency but at around 96 1/2 per cent, institutional support was forthcoming and the premium rose to 1/2, the bulk of the setback close a net 3/4 higher at 97 1/2 per cent.

Respective upward adjustments of 1 1/2 and 1 per cent in NatWest's and Lloyds' base lending rates after last Friday's rise in Minimum Lending Rate brought only minor contrasting movements.

Little of interest took place in insurances which closed with modest irregular movements.

Breweries traded quietly but were inclined to harden. Rates improved a penny to 148p ahead of Thursday's annual results, while favourable week-end Press mention left Belhaven 2 dearer at 33p.

4 better at 98p, were wanted in interim trading statement left front of today's interim results and George Whitehouse hardened 2 to 2 1/2p after the chairman's annual report.

The Motor sections presented a mixed appearance. Of the leaders, Lucas closed a shade above the worst at 23p, down 4, while Dunlop ended unaltered on the day at 88p.

Ahead of today's interim results, Dilly Mail and General A improved 1/2 to 30p. Elsewhere in Newspapers, East Midland Allied A put on 2 to 60p in response to Press comment.

Business in the Oil majors was extremely quiet and prices barely moved. British Petroleum hardened 1/2 to 400p ahead of Thursday's third-quarter figures, while the partly-paid value was unaltered at 368p.

Capital issues took a turn for the better in Trusts, with Alliford improving 3 to 148p and rises of 2 recorded in Duacrest, 204p, and New Thormorton, 80p.

Elsewhere, Burnett and Hallam, which ended as much as 1 down, and lowered the long by 1/2. In an effort to find a trading level, the long top Treasury 10 per cent, 1982, was adjusted downwards and eventually closed with an exceptional loss of a full point at 80.

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FINANCIAL TIMES STOCK INDEX

Table with columns for Date, Index, and various stock categories like Government, Fixed Interest, Gold, etc.

10 a.m. 4654.1 11 a.m. 4621.2 Noon 4622.1 1 p.m. 4623.1 2 p.m. 4621.1 3 p.m. 4622.1 4 p.m. 4621.1 5 p.m. 4621.1

HIGHS AND LOWS S.E. ACTY

Table showing High, Low, High, Low for various stock categories like Govt, Govt, Ind. Ord., Gold Mining.

OPTIONS TRADED

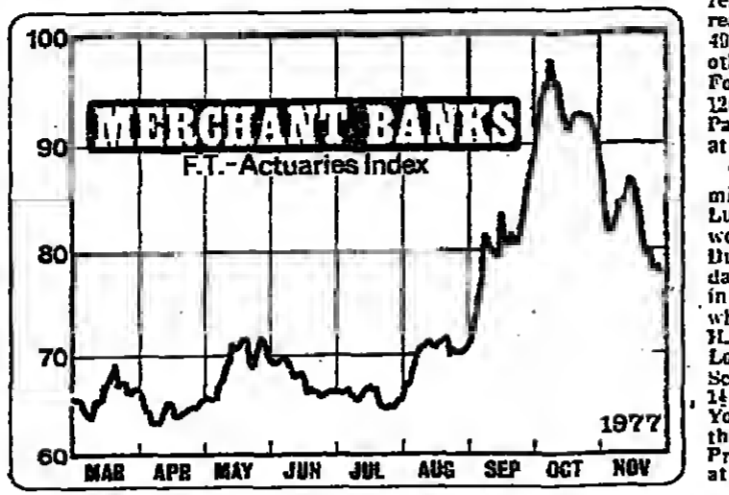
Table with columns for Dealings, Last, Declared, Settling, etc.

NEW HIGHS AND LOWS FOR 1977

Table with columns for New Highs (27) and New Lows (14) listing various companies and their prices.

RISES AND FALLS YESTERDAY

Table with columns for Rises and Falls listing various companies and their price changes.



MERCHANT BANKS F.T. - Actuaries Index

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries.

EQUITY GROUPS

Large table with columns for Group & Sub-sections, Index, and various stock categories like Capital Goods, Consumer Goods, etc.

FIXED INTEREST PRICE INDICES

Table with columns for British Government, Under 5 years, 5-15 years, etc.

FIXED INTEREST YIELDS

Table with columns for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

RECENT ISSUES

EQUITIES

Table with columns for Issue, Date, Price, etc.

FIXED INTEREST STOCKS

Table with columns for Issue, Date, Price, etc.

"RIGHTS" OFFERS

Table with columns for Issue, Date, Price, etc.

ACTIVE STOCKS

Table with columns for Stock, Denomina-tion, Closing price, etc.

Advertisement for Black Diamonds Pensions Limited, offering shares of The British Investment Trust Limited. Includes text: 'Offer for the Ordinary Shares of THE BRITISH INVESTMENT TRUST LIMITED', 'The Offer has been extended until 3 p.m. on Monday, 12th December, 1977.', 'The Offer will NOT be open for acceptance after that time whether or not the Offer has been declared unconditional.', 'The guaranteed minimum cash price per Ordinary Share of The British Investment Trust Limited is 165p in cash, the highest price paid by Black Diamonds Pensions Limited.', 'Upon the Offer becoming unconditional accepting Ordinary Shareholders will, under the terms of the Offer, be entitled to receive at least 165p in cash per Share for their Ordinary Shares of The British Investment Trust Limited or a higher cash amount if the formula value is higher on the day on which the Offer becomes unconditional.', 'The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., are firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Accordingly Ordinary Shareholders are strongly urged to accept.'

Table with columns for Stock, Denomina-tion, Closing price, etc.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

Foreign Exchange Markets

The dollar has weakened sharply against other strong currencies, notably the yen and the Deutschmark, reflecting continuing major imbalances in current accounts among the major industrialised countries.

FOREIGN EXCHANGE markets were in a notably confused state in recent months as upward pressures on the dollar have continued and the so-called problem of the dollar has re-emerged as a major preoccupation. The fall of the dollar in the last few months and the corresponding strength of the Yen, DM and franc have reflected continuing and worsening current account imbalances in the leading industrialised countries as well as the volatility of international capital flows than in the past.

higher rate of price inflation than in, for example, Germany. The dollar was helped by the rise in U.S. interest rates and by the impact of rising OPEC deposits on U.S. exchange reserves. The position changed towards the end of June as concern grew about the rising U.S. deficit and the official policy of benign neglect. Speculative pressures were reinforced both by a rise in the Yen through the 270 to the dollar barrier for the first time in three years and by comments made at a Ministerial meeting of the Organisation of Economic Co-operation and Development in the middle of June. This appeared to endorse greater flexibility in exchange rates to help the process of adjusting international trade imbalances.

different pressures—current and prospective inflation rates, current account disequilibria, structural developments and relative interest rates. On one view the most important influence is the movement in a country's money supply relative to that of the world, while also

take a rise in the U.S. deficit to \$21bn. next year with an unbalanced Japanese surplus of \$10bn. and only a slight contraction in the German surplus to \$3bn. Meanwhile, the position in the U.S. is expected to improve further with the U.K. moving

view the U.S. is the only and sizeable current account deficit. Indeed the adjustment at the end of August led to the withdrawal of Sweden from the joint European currency float. The rising U.S. deficit has been the higher oil imports and the U.S. The other main change has been of course, involved sterling where there has been a turn

earlier in order to avoid the monetary pressures, a lower level of interest rates than is required on domestic grounds, and to act as a dampening influence on inflation. The London Business School, for example, estimated that sterling was 10 per cent undervalued by the third quarter of 1977 measured in terms of relative money supply, though the gap has now been narrowed. The School argues that the results of the policy errors of the last nine months have not been eliminated just by freeing the exchange rate since far more foreign exchange reserves and far more banking reserves have been built up than the U.K. needs. There is still, on this view, a danger of overshooting the money supply target and preventing this now substantial current account surplus from being maintained.

On the other side, a rise in the pound has been opposed by the CBI because of concern over the impact on price competitiveness of exports and because of the possibility of an even more rapid growth in imports than anyway expected. Comparisons based on relative rates of inflation are open to dispute since they depend not only on the base date but also on the exact measure adopted. While there has been erosion of price competitiveness most of the advantage on a basis of unit labour costs has been regained. Opponents of appreci-

ation are also sceptical about the impact on inflation and on domestic wage pressures, though the fact that companies can no longer count on depreciation may be a constraining influence. There are also those who favour a depreciation in the rate in order to preserve, or even increase, the price competitiveness of exports at a time when the U.K. inflation rate is higher than overseas. On this view a rising rate will merely fritter away the opportunity presented by North Sea oil and will further undermine the industrial base. But as the U.K. moves into substantial current account surplus—more than £250m. in 1977 against a deficit of £1.4bn. last year—the upward pressures on the exchange rate are not going to disappear. Consequently it may be necessary to allow some easing of outward exchange controls in order to match these inflows. The Government is still cautious, however, about allowing a major relaxation until the recovery in non-oil trade is established and the structure of reserves is improved. There is also caution about any significant early repayment of official borrowing overseas—of which £20bn. due by 1983—though a start is likely to be made in the near future.

Depreciation

A loss of balance

by Peter Riddell, Economics Correspondent

Recent sharp movements in the dollar in the summer and that is to the unsettled conditions of 1976 when the Italian lira and the franc all came under pressure within a short period. However, the corrective measures taken by each of these led to a more stable position. In the case of sterling, attention focused rather on the stronger current

Surpluses

Yen started to move during this generally period as evidence that Japan's trade surplus was increasing significantly. However, the dollar still surprised strongly in the first four months of the year which was more than in any of 1976 and a much

The calls by Mr. Michael Blumenthal, the U.S. Treasury Secretary, on Japan and West Germany, and to a lesser extent, on the Netherlands and Switzerland to reduce their surpluses helped to contribute to the appreciation in the values of the Yen and D-Mark. Following the sharp rise in these currencies, Mr. Blumenthal then tried to stem the pressure by saying that the U.S. deficit was too large and that it ought to be stemmed. This had little effect. Foreign exchange movements, of course, reflect a variety of

taking account of the balance of payments position and portfolio holdings — for example, by OPEC. The background can be seen in an estimated rise in the U.S. current account deficit from \$60bn. last year to \$18bn. in 1977. Meanwhile the Japanese surplus is expected to rise from \$3.4bn. to \$10bn. this year, while the West German surplus is projected to increase from \$2.8bn. to \$3.5bn. The latest forecasts suggest that the position is not going to change significantly next year: accounts of countries in a

substantial surplus, the French deficit falling from \$3bn. to \$2bn. and the Italians having a \$1.5bn. surplus. Overall the total OECD deficit is expected to contract from \$31bn. to \$25bn. while the OPEC surplus is forecast to decline from \$40bn. to \$35bn. There are varying views on the significance of the U.S. deficit — some commentators refer to the non-problem of the dollar, pointing out that the U.S. deficit has corresponded to a recovery in the current accounts of countries in a weaker financial position. On

In any event, despite continuing international meetings, statements and action, such as curbs by Japan on currency inflows, the dollar has weakened against the stronger currencies throughout the last few months. For example, since the beginning of this year the dollar has risen by more than 18 per cent against the Yen, and by 51 per cent against the D-mark. Within Europe, the Scandinavian countries have twice had to devalue after earlier borrow-

ing heavily to support their currencies. This has been re-peated a higher rate of inflation allowed to float freely much

SHARES

Share prices in the London Stock Exchange rose on Tuesday, November 29, 1977. The FTSE 100 index closed at 1,145.10, up from 1,140.00 on Monday. The main reason for the rise was a sharp increase in the price of oil, which rose from 27.50 to 29.50 per barrel. Other factors contributing to the rise were a recovery in the price of gold and a rise in the price of silver. The price of gold rose from 185 to 190 per ounce, and the price of silver rose from 10 to 11 per ounce. The price of oil is expected to continue to rise in the near future, as OPEC continues to demand higher prices for its oil. The price of gold is also expected to continue to rise, as the U.S. dollar continues to weaken against other strong currencies. The price of silver is also expected to continue to rise, as the U.S. dollar continues to weaken against other strong currencies. The price of oil is expected to continue to rise in the near future, as OPEC continues to demand higher prices for its oil. The price of gold is also expected to continue to rise, as the U.S. dollar continues to weaken against other strong currencies. The price of silver is also expected to continue to rise, as the U.S. dollar continues to weaken against other strong currencies.

IBJ The Bank for All Reasons

Long-Term Financing. IBJ is Japan's oldest and largest long-term credit bank. We are the leading bank in arranging yen-denominated bond flotations by both foreign and domestic issuers.

Main Bank to Japan's Key Industries. IBJ is main bank to more of Japan's industrial leaders than any other bank in the country. And because we are independent of any industrial group we can offer you complete flexibility in your dealings with these industries.

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San Francisco: 100, California Street, San Francisco, CA 94111
Sydney: 100, Phillip Street, Sydney, NSW 2000
Singapore: 100, Raffles Place, Singapore 05
Toronto: 100, King Street West, Toronto, ON M5X 1C5
Paris: 100, Boulevard des Capucines, Paris 75002
Luxembourg: 100, Avenue de la Liberté, Luxembourg L-1011
Cebu: 100, A. M. Road, Cebu, Philippines

What's the dollar/sterling rate? Dawson International in Kinross knows.



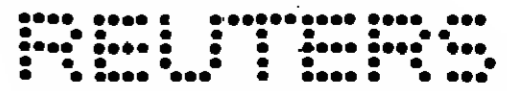
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Recovery of sterling

THE MOST significant and—as then a fifth since the beginning it soon turned out—revealing remark about the performance of sterling and Government foreign exchange policy in the last year came from Mr. Denis Healey, the Chancellor of the Exchequer, in the Commons after his mini-budget statement on October 26. He remarked that "one of the lessons learned by people who hold my job is that there are fairly strict limits within which it is possible to withstand market pressures."

The events of the last 12 months have demonstrated both the overwhelming force of market pressures and the extent of turnarounds in market confidence. The result is that sterling is now higher than almost anyone thought possible, or desirable, a year ago, and the official reserves have risen by five times in the process. The contrast can be seen most clearly by describing the position in the early autumn of 1976. The pound was falling almost daily with no intervention, however large, apparently able to stop the pressure, while the approach to the International Monetary Fund and the sharp rise in Minimum Lending Rate to 15 per cent. only provided a temporary check. The low point of \$1.55 was touched at the end of October—this represented a decline of more

domestic credit expansion. Meanwhile sterling was rising and the recovery was established in early January when a \$3bn. safety-net facility for the official sterling balances was agreed at the meeting of central bank governors in Basle. The pound then rose to a peak of \$1.73 and the Bank of England held the rate at around \$1.71 to \$1.72 until the end of July.

Confidence

The turnaround in confidence first became apparent immediately after the end of the Christmas holidays in the strength of sterling and with a rise in the reserves which has continued, with stops and starts, until the end of October. The reserves have risen from \$4.1bn. at the beginning of the year to \$20.2bn. at the end of October with possibly another \$3bn. or so to come in from deferred receipts on forward operations; these can, of course, be rolled over. There has been substantial official borrowing—namely \$1.9bn. on the IMF standby facility and \$1.5bn. from the Government Euromarket loan—but the underlying inflows have totalled about \$11.5bn. What has essentially happened is that the turnaround in confidence preceded the improvement in current account, which has only been in surplus since the end of the summer. For example, in the first half of the year there was a combined capital and current surplus of £2.81bn., entirely arising on the former, compared with a deficit of £3.63bn. for the whole of 1976. This has reflected the unwinding of what are usually described as leading and lags on commercial payments, though this is rather a spurious distinction and more readily identifiable items include those related to the change in rules on third country trade as well as the build up of hot money deposits attracted on speculative grounds.

official policy was to peg the rate against the dollar. In order to counter this pressure, the authorities in late July switched their emphasis towards the trade-weighted index as a guide to maintaining stability and allowed a small rise in the pound against the dollar. This move, which was taken on the advice of the Bank of England rather than the Treasury, did not work and merely provided further bait to those speculating on an ultimate rise in the value of sterling. After two half point cuts in Minimum Lending Rate in early August pressure eased until early September. But the inflows then built up during the next six weeks, reaching a massive scale during late October. The underlying inflows on one day are believed to have been more than \$1bn. and the published rise in the reserves in October was over \$3bn. These inflows posed an increasing dilemma for the authorities since while domestic credit expansion remained low, the inflows from abroad were having a growing impact on the broadly defined money supply, sterling M3. This was first seen in the banking month to the middle of September, when there was a rise of 2 1/2 per cent. which raised the annual rate of increase since April to near the upper end of the 8 to 13 per cent. target range. This also became linked with growing uncertainty in domestic markets and the continued weakness of the dollar as the exchange rate, so the authorities were forced to take a decision. Raising interest rates with Minimum Lending down from 15 to 8 per cent. less than a year had not and a major relaxation ward exchange controls, as in the case as adopted in Germany, were regarded as impracticable. This left a choice of freeing the exchange, a major broad monetary guidelines and control over the money. The commitment to targets was stressed. Governor of the Bank of England at the time decided, reluctantly, to market pressures on the pound. This was followed by a rise in the first day of the month to a total of more than one stage—but this was stopped back filling. The decision was a vote against a policy scheme and concern about the position in the U.K. This is a reasonable outcome for the time being, but the fact that the inflows will be a sacrifice of stability or of the position of exports. Peter

Living with the dollar

IF THE principal factor determining the value of a country's currency were the performance of the national economy, then nobody would have been consumed with the problem of a weak dollar this year. Indeed, when the Carter Administration took power at the start of this year, the superior performance of the U.S. economy was such that it was assumed that the dollar could not be a serious problem and was not worth talking about. What has happened since—and what is likely to continue to happen in the future—has been an instructive example in a process of education which every new government must undergo. The underlying philosophy in international economic policy as espoused by the Carter Treasury when it took office was that it was incumbent on the so-called "income" economies (the U.S., West Germany and Japan, principally, with help from the Netherlands and Switzerland) to bear the brunt of reviving the flagging global economy. The U.S., it was argued, was about to sustain a considerable trade and current account deficit in 1977 and would therefore be playing its role to the hilt: the other surplus nations were pressed to facilitate the international adjustment process by expanding their economies, reducing their surpluses and, where appropriate, to allow the value of their currencies to appreciate.

That was the message that Vice-President Mondale and a group of bright and harsh young American economists forcefully put to the Governments of West Europe and Japan within a fortnight of President Carter being installed in the White House. In many ways, this remains the underlying philosophy, though it has now been modified to encourage the expansion of economies which hitherto had been considered too weak to make much contribution. But the whole process of exhorting other countries to do more had a by-product that the new administration had not fully calculated: the reaction of the rest of the world that the U.S. was essentially talking down the value of the dollar on the foreign exchange markets, thereby injecting a critical element of instability into a delicate mechanism. It is fair to say that it took the U.S. Administration until mid-year to appreciate fully that a public attitude of insouciance towards the value of the world's principal reserve currency might be antidiotic. To-day, Mr. Michael Blumenthal, the Treasury Secretary and other top government economic policy makers rarely let a public opportunity go by without expressing their belief to "a strong dollar."

informed guesses, is unlikely to be much less in 1978. The Administration has persistently maintained that the deficit does not reflect any fundamental weakening of American trade competitiveness: it often argues that, with the singular, gross exception of Japan, the U.S. maintains healthy trade surpluses with the rest of the world and that sectoral analysis of product markets demonstrates that the U.S. share of world trade is holding up well. It also, repeatedly points out the obvious — that the biggest single factor in the trade deficit is the massive American demand for imported oil, which will probably reach an unprecedented \$46bn. this year. And yet, ironically, there may not be now much difference in the views of Dr. Burns and the Administration over the "right policies" for the dollar. Both Mr. Blumenthal and the chairman gave almost identical prescriptions in public appearances earlier this month — responsible monetary and fiscal policies designed to promote adequate growth while restraining inflation, an effective energy policy, and intervention in the foreign exchange markets only to iron out erratic fluctuations. Dr. Burns placed greater emphasis earlier this year on the need for tax incentives to spur capital investment, a policy which the Administration will undoubtedly put into effect early next year. Indeed, as Dr. Burns himself noted in the summer, such differences as do exist are more in the nature of the rhetoric than the substance. In addition, it is clear that the Administration is doing its best to deflect the mounting domestic demands for protectionist trade measures and at the same time to forge a reasonable agreement at the trade talks in Geneva. Certain concessions have had to be made (through orderly marketing agreements, for example, and a probable institution of a reference price system for imported steel). Although it may not always appear so from outside the U.S., the Administration's determina-

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مكزاتن اللصبل

Japan's balancing act

JAPANESE YEN has been revalued by over 20 per cent since the beginning of 1977 and seems destined to rise still further before a new equilibrium is reached. The yen has taken Japan by surprise, especially in September when the pace of revaluation accelerated. There have been numerous calls from Japanese officials which claim to have suffered serious exchange losses as a result of the rapid shift in the dollar parity. These losses, plus the more serious impact of a higher yen on the yen's ability to export, have led to a demand to produce a devaluation effect on the Japanese economy lasting well into 1978, perhaps beyond. The impact of the higher yen on Japan's balance of payments is eventually expected to be offset by the surplus by curbing imports (which will be in terms of yen than in 1974 and 1975) and by discouraging exports which should, logically, be in dollars and other currencies. Before the yen starts to reduce its payments surplus, however, it may in the short term help to increase the yen's value by producing an immediate increase in the flow of yen into the country through the improvement in fluctuations in terms of trade. The yen thus threatens to run, to aggravate the

various problems surrounding Japan's international economic relations. The reason why the yen has been revalued so sharply during 1977 is, in a word, that it was badly undervalued before. At the beginning of the year, despite Japan's strong balance of payments situation, the yen was showing an appreciation from its December 1976 Smithsonian Parity of about 5 per cent against 15 other currencies (weighted according to the value of Japan's trade with the countries concerned). The D-mark at the same time was up nearly 30 per cent on its Smithsonian Parity.

Appreciation

At the start of 1977, the Ministry of Finance seems to have been prepared for a controlled appreciation of the yen parity—say by about ten points in relation to the dollar during each of the first two quarters of the year. An appreciation of roughly this amount did in fact occur between the beginning of January (when the yen was at a parity of \$1 to ¥222) and mid-June when the rate was floating in the low 270s. The rate climbed sharply, however, towards the end of June as it became apparent that earlier Japanese estimates of a small current account deficit for fiscal 1977 were gross under-estimates.

From mid-September onwards (when the net revaluation since the start of the year was running at around 10 per cent) the yen began to climb much more swiftly than before and the Japanese authorities rapidly lost control over the market. An intervention by the Bank of Japan failed over \$1bn. during October to prevent the yen from breaking both the 260

and 350 yen to the dollar "barriers." In early November, Japan introduced controls on overseas purchasing of short-term Government bonds and on foreign-held "free yen" accounts (two supposed channels of foreign speculation). The controls, however, had almost no effect in arresting the pace of appreciation.

Japan appears to believe that the yen has been deliberately "talked up" by Western Governments, including the U.S., and to a lesser extent the U.K., as a means of offsetting the competitive edge of Japanese exports in world markets. Evidence for this view comes from the close concurrence between remarks by the U.S. Treasury Secretary Mr. Michael Blumenthal and a handful of other Western leaders on Japan's trade and payments performance and subsequent steep climbs by the yen on the Tokyo foreign exchange market.

The yen reacted particularly sharply after the annual meeting of the International Monetary Fund in September when Mr. Blumenthal said that Japanese exports would face barriers in advanced countries (and "justly so") if Japan did not do something to reduce its trade surplus. Another phenomenon which has taken Japan by surprise is the growing volume of yen trade on overseas foreign exchange markets such as London, New York, Hong

Kong and Singapore, and the extent to which these markets have seized the initiative from the Tokyo "home" market in forcing up the exchange rate. Yet another problem, in Tokyo itself, has been the sharp appreciation of the yen on the futures market where the Bank of Japan traditionally does not intervene.

There have been signs that the U.S. has now become less interested in talking up the yen and that the emphasis of American policy has shifted to extracting import concessions and a commitment to reflate the Japanese domestic economy. If Japan manages to produce a meaningful list of import promotion measures, including tariff cuts and abolition of import quotas, it is felt that the upward pressure on the yen might weaken and that some kind of equilibrium might emerge towards the end of the year. This, however, is more likely to be in the range of 230-plus to the dollar rather than the 240-plus range within which the yen was hovering during the first three weeks of November. If Japan fails to make what the U.S. regards as a "satisfactory" answer to its trade demands, the equilibrium could still prove unattainable and the yen could go on rising

Charles Smith
Far East Editor

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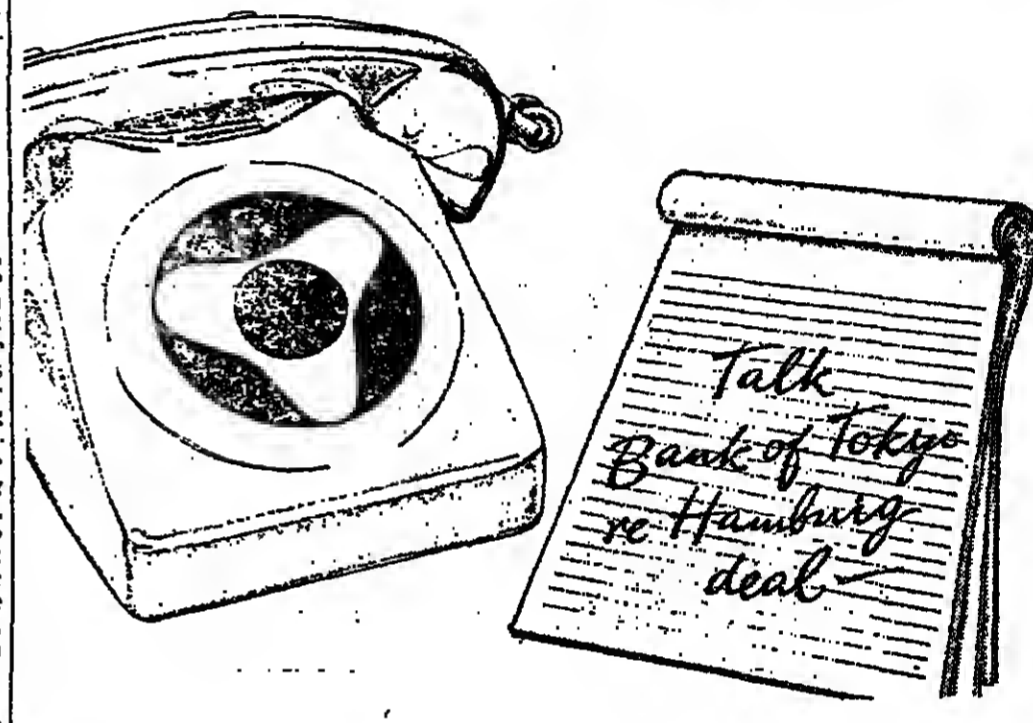
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Adrian Dicks

Deutschemark is the bulwark

LAST few days' events in foreign exchange markets far, the market seems ready to fasten on to any clue dropped. Deutschemark is perceived as so that there was an immediate reaction in Frankfurt to the economic climate of conventional comments here at uncertainty. The size of the beginning of the month by latest wave of purchases Mr. Michael Blumenthal, the German currency is not American Treasury Secretary, specially known, but it is He remarked at the end of talks that these have been with his West German counterpart November than they part, Herr Hans Apel, that he brings October, when the favoured a "strong dollar." The bank appears to have The considered opinion of the over \$1bn. in its efforts to German authorities, both at the out irregular fluctuations Bundesbank and in the Finance Ministry, is still that the of dollar purchases of market's judgement on the dollar, der of \$160m. in a single is the correct one so long as trading, the November the Carter Administration has may well have exceeded not yet enacted its proposed single month's this year. energy policy.

The real cost of the present dis-equilibrium in international payments to West Germany can be measured through the remarkable climb of the D-mark. Since the end of 1973, it has appreciated 17 per cent against the dollar, 21.5 per cent against the currencies of West Germany's 22 most important trading partners taken together, and 6.3 per cent against even the remaining member currencies of the diminished West European "snake." Only measured against the Yen, the Swiss franc and, marginally, the D-mark, has the D-mark less any ground in the course of 1977.

For a country as heavily dependent on exports as West Germany, these developments can hardly be regarded without concern, despite a remarkable resilience in the past. They reinforce, moreover, with a domestic economic situation that, while more favourable in many ways than those in other major industrialised countries, is giving West Germans themselves cause for puzzlement and uncertainty.

businessmen, which in turn is holding them back from undertaking new investment.

One important question may now have been resolved, in the form of the compromises adopted by both coalition parties over nuclear energy. If these can be sustained and transformed into fixed policy, the much-discussed threat of an energy gap in the mid-1980s, should recede, while the flow of orders to both the nuclear engineering industry and the coal power station supply-sector should be substantial.

A broader concern, however, is the medium-to-long-term outlook for profits. According to many soundings of business opinion, it is lack of confidence in this area that is the greatest obstacle to the extension of manufacturing capacity, as opposed to further rationalisation of what already exists. One obvious reason is the continuing weakness of export demand, reflecting economic conditions in major customer countries. West German export performance has survived recession abroad, and the disadvantage of the ever-dearer D-Mark, better than had been feared. Yet new foreign orders to West German industry have been falling since last summer, and this time there appears to be a good deal less conviction in the old argument that German quality and dependability can survive more adverse currency movements.

Monetary policy, meanwhile, remains highly favourable to industrial investment, with interest rates at their lowest since the mid-1960s. The Bundesbank has several times this year acted to inject further liquidity into the banking system, and has shown no disposition to follow conservative advice to tighten up borrowing conditions. At the same time, the Central Bank can point to the fact that it has done all that can be expected of it to create the conditions for growth: the rest is up to the Government, the unions and businessmen themselves.

Adrian Dicks

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Conformity

The Bonn Government's conformity with its pledges to its partners at the London economic summit meeting last May, has introduced a package of tax cuts and assorted other stimuli in the economy with which it hopes to attain the goal of a 4.5 per cent increase in real gross national product in 1978. Taken together with previous measures, such as a medium-term programme to bring forward public works and similar investments announced in March, as much as DM23bn. may be injected into the economy through higher public sector deficits next year, according to the calculations of the independent panel of "five wise men" in its latest report to the Government. The Bundesbank, in its latest monthly report, stated that some benefits could indeed already be detected.

Now, however, there are serious doubts about whether this 4.5 per cent goal can be reached without yet more stimulus.

A preliminary estimate for the third quarter of 1977 by the German Economic Research Institute shows a drop of 0.5 per cent. But official and unofficial commentators agree that the most important factor in the equation at present is the 3.5 to 4 per cent forecast for absence of confidence among 1977.

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THE GOVERNMENT remains reluctant to introduce any major relaxations of the U.K.'s battery of exchange controls on the outward movement of money, in spite of the dramatic turn-round in the country's external position this year and the growing body of views in favour of liberalisation.

There are two main reasons for the pressure towards liberalisation—the general change in the U.K.'s economic situation and the specific commitments which the country took on when it entered the Common Market. The system of exchange controls, which goes back to the beginning of World War II and was formalised in the 1947 Exchange Control Act, is designed essentially to protect the official reserves.

In the past year, however, the official reserves have risen to \$20.2bn, nearly five times their level at the end of last year. The pound has been generally strong. And the country is now moving into a period of substantial external current account surplus as a result of the impact of North Sea oil.

Moreover, economists will argue—and Mr. Healey recognised this point in a recent speech—that there is a case for using at least some of the surpluses arising from the oil flows for investment overseas.

Finally there is the EEC argument. Talks are now going on over the U.K.'s position on exchange controls in the context of the country's original commitment to permit complete freedom of movement of capital after the end of the agreed transitional period on January 1 next year. When the U.K. joined the EEC, a timetable was agreed to meet this commitment. By the end of 1974, controls on outward movement of direct capital investment to EEC countries should have been removed, to be followed in mid-1975 by controls on personal capital and gifts. In the last stage, restrictions on portfolio investment were due to be taken off at the end of this year.

A start was made on relaxing the controls in the spring 1972 Budget. Companies were then allowed to export up to £1m. per project per year within the EEC without having to go through the premium currency market. The concession, however, lasted only for two years.

In spite of the changed circumstances of the U.K., there appear to be two main lines of reasoning behind the official unwillingness to undertake major changes at present. First, although the reserves are much healthier, the country still has a large volume of medium-term debt which will fall due for repayment in the coming years; and it is thought that a considerable part of the inflows into the country in recent months has been of an essentially short-term and potentially volatile nature.

The second point, which Mr. Healey referred to in his recent speech to the Institute of Actuaries, is the argument that the first aim should be to use the proceeds of North Sea oil for investment at home rather than allow it to go abroad. The Chancellor conceded that later on "some increase in overseas investment may have a role to play." But at present, he insisted, the primary consideration must be the right level of domestic investment to provide help in reducing the level of unemployment. This is an argument which has strong political overtones.

afforded a recognition that the position of the U.K. has changed. The impact they were expected to make on the balance of payments and the reserves was modest, but they provided a significant easing in three main areas. The changes will help to give some further stimulus to direct investment in the U.K. by foreign companies, with the benefits of this being for the development of the economy. They increased the allowances for travel gifts abroad and emigration to levels which take more account of recent inflation. And they made it easier for the City to cope with the run-down of sterling as an international trading and reserve currency and the resulting expansion of business to the cost of the official investment within 18 months and continuing thereafter. These conditions, official change can be used to restrict the access of UK residents to official exchange transfer abroad. As they relate to portfolio investment, they mean that investors can put money abroad only in one of two ways: by going through the investment currency market or borrowing currency. Using borrowed currency to build up a portfolio of foreign securities is subject to conditions—particularly the requirement to maintain 125 per cent cover of the borrowed funds—which effectively can only be fulfilled by his institutional investors.

Going through the investment currency market, on the other hand, means paying a premium over the spot rate of sterling. And it involves control which is most distasteful to the City, the 25 per cent surrender rule which requires investors to give up a percentage of the proceeds of any sale of foreign securities at the official exchange rate rather than the premium rate.

The constraints on investment abroad are strict. The general rule is only projects which meet so-called super criteria are financed with currency of the official reserves. The project direct and promote exports of goods and services, and to bring the balance of payments to the cost of the official investment within 18 months and continuing thereafter. These conditions, official change can be used to restrict the access of UK residents to official exchange transfer abroad. As they relate to portfolio investment, they mean that investors can put money abroad only in one of two ways: by going through the investment currency market or borrowing currency. Using borrowed currency to build up a portfolio of foreign securities is subject to conditions—particularly the requirement to maintain 125 per cent cover of the borrowed funds—which effectively can only be fulfilled by his institutional investors.

Measures

Nevertheless, the minor measures introduced in the October mini-Budget at least

London's role

IF THE FOREIGN exchange market should ever need a motto it could always revive that of the old Windmill Theatre. In fact the foreign exchange market is almost never closed, since when London shuts down for the day New York is in the middle of its trading session. After New York closes the mantle is taken up by the Far Eastern markets, and when Singapore, Hong Kong, and Tokyo have finished trading the attention moves back to the European centres.

This can create problems for the various central banks, because any unwelcome movement in a currency may happen in the middle of the night, on the other side of the world.

At the end of October last year the pound fell to around \$1.55 against the dollar in trading in the Far East, and although the volume of selling was probably fairly small the psychological impact was hardly helpful. This was the lowest level ever touched by the pound and was a full two cents lower than any trading in Europe or the U.S.

Intervention by the central banks in Europe and the U.S. presents no problem, and has been fairly common in recent weeks with the fall in the value of the dollar. There may also be times when central banks act in concert, and during sterling's problems last year the U.S. Federal Reserve may have intervened as the agent of the Bank of England on occasions.

The Bank of Japan has bought large amounts of dollars recently to stem the rise of the Japanese yen, with most of its intervention confined to the Tokyo exchange. The Japanese commercial banks operating in London are sometimes seen to continue the operation however, presumably under the guidance of their own authorities.

The City's complex structure grew up when Britain was the pre-eminent trading nation of the world, and London the major centre for international financial matters. It has survived remarkably well, considering the ravages of two world wars, a decline in the importance of Britain as a major power, and an almost constant problem over the value of the domestic currency.

Representation

There are more foreign banks in the City than anywhere else in the world. The number with direct representation had increased from 107 in 1967 to 274 by this June. Well over 350 foreign banks are represented either directly or by holding stakes in consortium banks. This has helped London to maintain its position as a major centre for conducting foreign exchange business.

Euro-sterling interest rates declined sharply over the course of this year. In line with domestic sterling rates, while Euro-dollar rates have moved in the opposite direction, although to a much smaller degree. In the middle of November 1976 the three-month Euro-sterling rate was around 16 per cent, with the one-year rate slightly lower at 15 1/2 per cent. By mid-November this year three-month Euro-sterling was about 5 per cent, but the one-year was a little higher this time at 6 1/16 per cent.

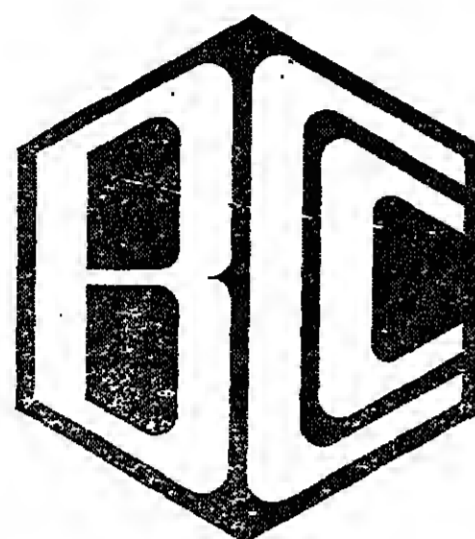
Over the same period the three-month Euro-dollar rate increased from 3 1/2 per cent to 7 1/2 per cent, while the one-year rate rose from 6 1/2 per cent to 7 1/2 per cent.

It would have been hard to believe during the depressing days in the latter part of 1976 that such a turn-round could

happen in the space of one year. On the other side of the Atlantic the situation has not been as favourable, with the prospect of the U.S. running a very large balance of payments deficit into next year. In this situation it is hardly surprising that the difference between Euro-sterling rates and Euro-dollar rates should have narrowed so sharply, but given the respective inflation rates of the two countries it was equally unlikely that Euro-sterling rates would remain lower than the dollar equivalents for much longer. Problems over the growth of the money supply in the U.K. and U.S. are helping the rise in both sterling and dollar interest rates, with Euro-sterling rates showing the sharpest rise.

The change in interest rates was accompanied by an equally dramatic reversal of rates for forward delivery of sterling. In mid-November last year three-month forward sterling was at 25 1/2 cents discount against the dollar, and the 12-month at 13 1/2 cents discount. On October 28 when the pound fell to its record low of \$1.57 in London, it could have been purchased for 12-month delivery at about \$1.40. At the end of October this year sterling stood at a premium of about 1.50 cents against the dollar for 12-month delivery, and on November 1 the spot rate rose sharply to around \$1.84 when the authorities gave way to pressure to allow sterling to float.

By the middle of November sterling's three-month premium against the dollar was 1 cent, and the 12-month premium 1.40 cents. At that time the forward pound was at a premium against almost all major currencies, although this varied according to the period in terms of some of the stronger currencies such as the D-mark and the Swiss franc. Towards the end of November the situation was beginning to change again, however, as the pound declined on fears about inflation and labour unrest, while London interest rates increased for the same reason. Under these circumstances forward rates have moved back to a discount against the dollar.



SPECIALISTS IN ALL ASPECTS OF FOREIGN EXCHANGE AND EUROCURRENCY OPERATIONS

UK BRANCHES IN

- BIRMINGHAM
- BRADFORD
- EDINBURGH
- LEEDS
- MANCHESTER
- ROCHDALE
- WOLVERHAMPTON
- BLACKBURN
- COVENTRY
- GLASGOW
- LEICESTER
- NEWCASTLE UPON TYNE
- SLOUGH
- AND 22 BRANCHES IN THE LONDON AREA

OTHER BRANCHES THROUGHOUT THE WORLD IN

- BANGLADESH
- DJIBOUTI
- FRANCE
- KENYA
- LUXEMBOURG
- NORTH YEMEN
- SEYCHELLES
- SUDAN
- WEST GERMANY
- CAYMAN ISLANDS
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مكزامن الاصل

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts including columns for Name, Manager, and various performance metrics.

Table of Offshore and Overseas Funds including columns for Name, Manager, and various performance metrics.

Table of Offshore and Overseas Funds (continued) including columns for Name, Manager, and various performance metrics.

CLIVE INVESTMENTS LIMITED
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INSURANCE BASE RATES
Property Growth 0.8%
Commercial 2.5%
Address shown under Insurance and Property Bond Table.

BASE LENDING RATES
Bank 8%
Hill Samuel 5%
C. Hoare & Co. 8%
Julian S. Hodge 8%
Hongkong & Shanghai 6%
Industrial Bk. of Scot. 6%
Keyser Ullmann 8%
Knowles & Co. Ltd. 7%
Lloyds Bank 7%
London & European 8%
London Mercantile 8%
Midland Bank 6%
Samuel Montagu 6%
Morgan Grenfell 7%
National Westminster 7%
Norwich General Trust 7%
P. S. Refson & Co. 6%
Rossminster Acceptors 7%
Royal Bk. Canada Trust 7%
Schlesinger Limited 7%
S. S. Schwab 7%
Security Trust Co. Ltd. 7%
Shenley Trust 7%
Standard Chartered 6%
Trade Dev. Bank 6%
Trustee Savings Bank 6%
Twentieth Century Bk. 7%
United Bank of Kuwait 7%
Whiteaway Ltd. 6%
Williams & Glyn's 6%
Yorkshire Bank 6%
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INSURANCE, PROPERTY, BONDS

Large table listing various insurance, property, and bond products with columns for Name, Manager, and details.

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FT SHARE INFORMATION SERVICE

HOTELS—Continued

Table listing hotel stocks with columns for Stock, Price, and Change.

INDUSTRIALS (Miscel.)

Large table listing various industrial stocks with columns for Stock, Price, and Change.

ENGINEERING—Continued

Table listing engineering stocks with columns for Stock, Price, and Change.

ENGINEERING MACHINE TOOLS

Table listing engineering machine tools stocks with columns for Stock, Price, and Change.

FOOD, GROCERIES, ETC.

Table listing food and grocery stocks with columns for Stock, Price, and Change.

HOTELS AND CATERERS

Table listing hotels and caterers stocks with columns for Stock, Price, and Change.

DRAPERY AND STORES—Cont.

Table listing drapery and stores stocks with columns for Stock, Price, and Change.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for Stock, Price, and Change.

CINEMAS, THEATRES AND TV

Table listing cinema, theatre, and TV stocks with columns for Stock, Price, and Change.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns for Stock, Price, and Change.

AMERICANS—Continued

Table listing American stocks with columns for Stock, Price, and Change.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, and Change.

BANKS AND HIRE PURCHASE

Table listing bank and hire purchase stocks with columns for Stock, Price, and Change.

BEERS, WINES AND SPIRITS

Table listing beer, wine, and spirit stocks with columns for Stock, Price, and Change.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building industry, timber, and road stocks with columns for Stock, Price, and Change.

AMERICANS

Table listing American stocks with columns for Stock, Price, and Change.

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BRITISH FUNDS

Table listing British funds with columns for Fund Name, Price, and Change.

INTERNATIONAL BANK

Table listing international bank stocks with columns for Stock, Price, and Change.

CORPORATION LOANS

Table listing corporation loans with columns for Loan Name, Price, and Change.

COMMONWEALTH & AFRICAN LOANS

Table listing commonwealth and African loans with columns for Loan Name, Price, and Change.

FOREIGN BONDS & RAILS

Table listing foreign bonds and rail stocks with columns for Stock, Price, and Change.

INDUSTRIALS—Continued

Table of industrial stocks including various companies and their share prices.

INSURANCE—Continued

Table of insurance companies and their share prices.

PROPERTY—Continued

Table of property-related stocks and their share prices.

INV. TRUSTS—Continued

Table of investment trusts and their share prices.

FINANCE, LAND—Continued

Table of finance and land-related stocks and their share prices.

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MINES—Continued

Table of mine stocks including Central African and Australian companies.

OVERSEAS TRADERS

Table of overseas trading companies and their share prices.

TEAS

Table of tea stocks including India and Bangladesh.

MINES

Table of mine stocks including Central Rand and Eastern Rand.

MINES

Table of mine stocks including Far West Rand.

REGIONAL MARKETS

Table of regional market data for various areas.

DIAMOND AND PLATINUM

Table of diamond and platinum prices.

OPTIONS

Table of options and 3-month call rates.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies.

SHIPBUILDERS, REPAIRERS

Table of shipbuilders and repairers.

SHIPPING

Table of shipping companies.

SHOES AND LEATHER

Table of shoes and leather goods companies.

SOUTH AFRICANS

Table of South African stocks.

TEXTILES

Table of textile companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising companies.

PROPERTY

Table of property-related stocks.

TOBACCO

Table of tobacco companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks.

INSURANCE

Table of insurance companies.

FINANCE, LAND, etc.

Table of finance, land, and other stocks.

